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Daily Report
Latin America

FBIS-LAT-96-027 *8 February 1996*

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Cuba

Cuba, Haiti Sign Agreement on Relations

PA0802012096 Havana PRENSA LATINA in Spanish 0526 GMT 7 Feb 96

[By Amilcar Garcia]

[FBIS Translated Text] Port-au-Prince, 6 Feb (PL) — After nearly 40 years of artificial estrangement and in a gesture that reaffirms their sovereignty, the Cuban and Haitian Governments resumed their diplomatic relations this evening.

This was the last decision made by Jean-Bertrand Aristide's government. President Aristide will turn his office over to his successor Rene Preval tomorrow.

Cuban Foreign Relations Minister Roberto Robaina and Haitian Foreign Affairs Minister Fritz Longchamps signed the document that outlines the two countries' decision to initiate negotiations to accredit diplomatic and consular representatives in Havana and Port-au-Prince.

This agreement was signed in Aristide's office. Aristide headed this ceremony and expressed his satisfaction for what he described as the most important decision his government has made.

This is, he said, what our people deserve and the best present we can give them.

In addition, Robaina underscored the courage and honesty shown by the Haitian authorities in making this decision. Robaina then said that Cuba has diplomatic relations with 156 countries.

Commentary on Cuba's Restoration of Relations With Haiti

PA0802012496 Havana Radio Rebelde Network in Spanish 1800 GMT 7 Feb 96

[From the "National Radio News" newscast]

[FBIS Translated Text] A few hours before completing his troubled term, Haitian President Jean-Bertrand Aristide announced his government's decision to restore diplomatic relations with Cuba, an action for which he expressed his approval and which he described as a very important decision of his government.

The document restoring the relations was signed by Haitian Foreign Minister Fritz Longchamps and Cuban Foreign Minister Roberto Robaina, who attended the swearing-in ceremony of Rene Preval, the new Haitian president. Preval received the presidential band from his predecessor and friend, Aristide, during a ceremony at the Presidential Palace. The new president's term will extend until the year 2001. Haiti is one of the world's 25 poorest countries. Here is a report by Frank Gonzalez from Port-au-Prince.

[Begin Gonzalez recording] For the next five years, it will be up to the new Haitian president to develop bilateral cooperation in the various fields from which both Cuba and Haiti can profit. After the joint statement that sealed the resumption of the diplomatic relations was signed, Robaina said that Cuba now holds similar relations with 156 countries, demonstrating the failure of the United States in its determination to isolate Cuba. Preval has before him an unenviable political scenario. He must govern one of the world's poorest countries. Haiti's institutional fragility and scant economic potential render the most optimistic forecasts uncertain. The development of the relations with Cuba will be one of the new areas of attention for Preval's government, who has already expressed great interest in strengthening these ties, in particular in the economic field. Preval said that, as far as Haiti is concerned, Cuba plays a special role. [end recording]

Cuban Electrical Workers Union Holds Annual Meeting

PA0702161496 Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 3 Feb 96

[From the "NTV" newscast]

[FBIS Translated Text] The electrical workers union today held its annual assessment meeting at the Higher Education Institute of the Basic Industry Ministry. Basic Industry Minister Marcos Portal, Jaime Crombet, a member of the Central Committee of the Communist Party of Cuba, and Division General (Samuel Roviles Planas) headed the meeting.

During the meeting, the electrical workers union discussed its first strategic goal for the 1996-1998 period: To improve the quality and efficiency of the national electricity system while reducing costs and stopping outages. In addition, the new directorate was announced, and Alfredo Lopez Valdez was appointed general director. Lopez announced that electricity will be installed in 50,000 houses beginning in 1996 and that new rates will be implemented in 1997.

In addition, the electrical workers union aims to continue training customer service personnel; that is, customer service representatives, duty officers, meter readers, cashiers, inspectors, and other workers. The electrical workers union will also present the study on the development of the nuclear plant in 1996.

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Cuban Nickel Industry Workers Hold Annual Meeting

PA0702163196 Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 3 Feb 96

[From the "NTV" newscast]

[FBIS Translated Text] Nickel industry workers have held their annual assessment meeting in Moa, Holguin, and have pledged to contribute at least $126 million to the country's economy in 1996. It might seem an ambitious goal when coldly analyzed, but nickel workers are almost obsessed with this goal, which has turned into one of their biggest challenges.

The nickel industry created the foundations to achieve the goal by the end of 1994, when it joined the Canadian Sherrit Company, underwent labor reorganization, developed new financing and money incentives schemes, and modernized two of its plants using only Cuban capital:

[Begin union official Claudio Otero recording, identified by caption] We want to use the investment to modernize and be competitive, to end 1996 and 1997 with an industry capable of competition in the international market. We also want the cost of each pound of nickel to be under $2 so we can confront a market that could dwindle at any time due to increased oil or ammonia prices, among other factors. We will be at a disadvantage to compete if we do not modernize the industry now that we have resources available. [end recording]

It was not easy for those of us who have witnessed the ongoing changes in the nickel industry to understand that the move to modernize the plants is crucial. Almost all the old American technology will be replaced without halting operations at the Nicaro Rene Ramon Latour Plant. Also, smaller changes are taking place in the Moa Che Guevara Plant.

Basic Industry Minister Marcos Portal spoke at the end of the meeting. He stressed the responsibility on the nickel industry's shoulders at a time when the Cuban Government will allocate $140 million to this industry. Although the sum exceeds the amount nickel workers will contribute in 1996, the money will help place the industry in a privileged situation in the world as the 21st century approaches:

[Begin Portal recording] There is no precedent in the Cuban nickel industry, not even when the Americans were involved, regarding an investment of $150 or $140 million. This decision has been one of the government, but there must be a response to this investment, as [words indistinct] has said. There must be a response in time and efficiency, and terms must be complied with. A great responsibility arises when the government decides to modernize and develop the nickel industry and invests $140 million to this end in a country with economic problems and large limitations. [end recording]

Haiti

New Haitian President Rene Preval Takes Oath of Office

PA0702194596 Port-au-Prince Radio and Television Networks in Creole 1516 GMT 7 Feb 96

[Oath of office by new President Rene Preval at the Legislative Palace in Port-au-Prince; passage between slantlines in French — live relay]

[FBIS Translated Text] I swear before God and the country to obey all that is in the Constitution and all the laws of the Republic of Haiti, and I will have everybody obey them in like manner. I will have the rights of the Haitian people respected and will have everybody respect them as well. I will do all I can so the Haitian people can remain a great people, so they will always be masters in their country and so they never lose the slightest portion of the national territory.

/I swear before God and the nation to observe and to faithfully have the Constitution and the laws of the Republic respected, to respect and have the Haitian people's rights respected, to work toward the greatness of the homeland, to maintain national independence and the integrity of the country./ [applause]

Haiti's New President on Security, Quality of Life

LD0802100496 Paris Radio France International in French 1230 GMT 7 Feb 96

[Interview with President Rene Preval on the occasion of his being sworn in as the new president, by special correspondent Beatrice Leveilly; place and date not given—recorded]

[FBIS Translated Text] [Preval] The problem of insecurity in Haiti is a daily problem. In particular, the bourgeoisie feels that its possessions and property are threatened, and has barricaded itself. However at the same time there is the daily insecurity of the father of a family who cannot feed his children, who watches his family die since he cannot offer it the necessary medical care. It is an insecurity which is extremely difficult to live with and which has affected more than just a small minority.

As long as the great majority of Haitian people see the state fill its pockets and work in tandem with the business class to embezzle public funds, then this large majority will have only one resort left, and that is for

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them to take it themselves from the pockets of those who stole it. Thus this is what creates the insecurity. In order to end this insecurity, we must create a climate of mutual respect, first of all. It is important that the state does not continue to steal. It is important that those who must pay tax and, in particular, those who have money, pay their taxes, and stop scheming with the state to embezzle public money. It is this which will ultimately create a climate of security.

[Leveilly] In your new position, will you be able to govern effectively since you will be able to count on the support of the entire Haitian population — the Haitian people who, as you have just said, remain divided by their quality of life — a very important issue at different levels of society?

[Preval] We are all on the edge of the abyss and I think that those who are used to plunder and embezzle are acknowledging that the Haitian army is no longer there to help them. They are forced to talk and negotiate. There is also a very prosperous group among the bourgeoisie who are fed up with this situation and who want the best for their country. Hence my work is to unite everybody so that together we can pull this country out of its present poverty. This great union will be a failure for all those who want to take the state hostage in order to hamper the development of the country for their own benefit.

[Leveilly] Just about everywhere in the country, I met young people who dream only of immigrating to the United States. Do you think that one day, the Haitian dream will be able to replace the American dream?

[Preval] Listen, in all the countries where there are problems, including France, there is this dream of the American paradise — the American dream. The day we manage to offer a good standard of living, acceptable to Haitians, the dream will be in Haiti.

Haiti's New President Preval Outlines Priorities

BR0702161196 Paris LE MONDE in French 7 Feb 96 p 3

[Interview with new President Rene Preval by Alain Abellard and Jean-Michel Caroit; place and date not given: "If We Fail To Succeed in the Next Five Years Then Democracy Will Be in Great Danger"]

[FBIS Translated Text] [LE MONDE] Eighteen months after the reestablishment of constitutional order, garbage and refuse litter the streets of Port-au-Prince. The misery in which the vast majority of the population lives has not been relieved. Can you do better than President Aristide?

[Preval] I will definitely have more time than he did and I will definitely have other missions. President Aristide did what he had to do and what he could do. Starting with the favorable conditions he left us it is now up to us to stamp out a political will.

[LE MONDE] What will be the broad outlines of the action you will take?

[Preval] In a country where everything is urgent, we have selected a priority: bringing down unemployment through national output. This will be the priority area for the next five years. We are in a country which barely exports anything anymore and which imports virtually everything. This means that the cost of living is becoming extremely high and unemployment too. We want to redefine the state's mission, which does not involve participating directly in production, but rather limiting itself to regulation and supervision. We want to let the private sector carry out its mission of creating long-lasting jobs.

[LE MONDE] What is Haiti's current economic situation?

[Preval] State expenditure is 5 billion gourdes, according to the draft budget for 1995-1996, while expected revenue — on the basis of income for the first three months — is 3 billion, leading to a foreseeable deficit of 2 billion [one French franc equals around 3 gourdes]. Either we finance this shortfall by printing money, and thereby causing inflation, or we make cuts in the public administration, but salaries are so low that we would have to lay off around 14,000 of the 40,000 government employees. Neither of these two solutions is feasible. That means we have to find money on the outside.

Moreover, if we assume that we can balance our budget, we will no longer have any resources to undertake infrastructure work. We are soon going to renegotiate the positions we have set out with the IMF and the World Bank.

[LE MONDE] Is one of your priorities to privatize Haiti's large loss-making state-owned companies, a move which was fought by supporters of President Aristide?

[Preval] Privatization is a problem. It got off to a bad start because it was presented as the state liquidating its assets. Privatization can take different forms: a management contract, with the state remaining the owner of the infrastructure; leasing; and the taking of a minority or majority shareholding for the private sector. The private sector is better at management than the state. Privatization will not create jobs but reduce the state deficit.

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[LE MONDE] What kind of profile will your prime minister have?

[Preval] The people have been fighting for democracy for 10 years. The people want to see this struggle transformed into benefits for them. So I want to be pragmatic: The aim of this five-year period is to satisfy certain essential needs of the people. I will have a cabinet of efficient people who can deliver the goods. We are debating the actions to take quickly in order to rekindle hope. My choice of prime minister will not be governed by political considerations, but rather by the program that he will have to accept and successfully carry out.

[LE MONDE] Your choice will have to be ratified by the Parliament, which is dominated by the Lavalas Political Organization, a major proportion of which was in favor of extending President Aristide's term. You have to take this into account.

[Preval] We are currently talking with them so that they understand that if we do not succeed in this five-year term, then democracy in Haiti will be in great danger.

[LE MONDE] The lack of security is still a worry. What steps are you going to take?

[Preval] The bourgeoisie feels insecure because there are threats, but the head of a family who cannot provide food for his family and take care of his children is experiencing another kind of insecurity. If we have a government which steals and which is corrupted by the business world, then the people have no other recourse but to dig into the pockets and houses of these people. Therefore, we have to make the state work so that the people will have confidence: People are not asking to have it all right away, but they do want to have a serious government and the hope that their lives are going to change. If the business world agrees to play by the rules of democracy and to take part in specific projects by, say, paying new taxes, then confidence can be restored between the people and the bourgeoisie.

Another aspect of security is the threat posed by the Duvalier supporters. If we fail in our undertaking, if we do not manage to satisfy the needs of the population, then we will be leaving room in the political arena allowing the Duvalier supporters to win back credibility. The dialogue with the private sector, the unions, and the grass-roots organizations concerning the country's development will isolate the pro-Duvalier group. This is what I have undertaken to do. The police have to provide security.

[LE MONDE] Do you think that the new police force will be able to carry out its mission?

[Preval] The members of the police force are very young. They have received just four months of training. They are underequipped. They do not have shields or helmets, and very little in the way of communications equipment. When they are pitted against a group of agitated people throwing rocks, then the situation quickly turns into hand-to-hand combat. A policeman who just has his gun will have a tendency to use it. The people are starting to feel that this police force, which was warmly welcomed, is now beginning to look like the Army that we dismantled. That represents a very big danger.

The extension of the mandate of the UN mission in Haiti will allow us to bolster this new police force. It will be a six-month extension, at the end of which we will assess the situation. Security is not a priority, but an essential condition in our struggle and without which there will be no investment because national and international capital will stay away.

[LE MONDE] What kind of relationship do you plan to maintain with Mr. Aristide?

[Preval] We have an excellent relationship; our missions are not the same. We both know that it is impossible to make progress without the support of the people. Where President Aristide is concerned, being at the service of the people is a long-term vocation, almost religious in nature. I am only interested in serving my country. I was elected, I have a mission to accomplish, and I will accomplish it. I hope that President Aristide will manage to redefine his place — as he has done several times since 1986 — in the Haitian people's battle over the coming five years.

Haitian Mayor: Aristide's Departure 'End of Corruption'

PA0802025496 Port-au-Prince Radio Signal FM in French 1800 GMT 7 Feb 96

[FBIS Translated Excerpt] On 6 February, Port-au-Prince Mayor Joseph Emmanuel Charlemagne hailed the departure of outgoing President Jean-bertrand Aristide as the end of corruption at the National Palace. Charlemagne exhorted President Rene Preval not to use the current team that monopolized the Aristide government. Charlemagne hoped the new occupant of the National Palace would make every effort to satisfy the demands of the Haitian people.

[Begin Charlemagne recording, in Creole, in progress] ...never been satisfied. The Justice Department [words indistinct] we must [words indistinct] although many people are embezzling, he knows that people are embezzling, but he has tolerated that until now. Rene Preval

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must be careful not to come up with the same embezzlers whom the [word indistinct] calls big eaters, so the situation of the country can change. Because, look at this: We have land on which we plan to build a university. One single individual has bought houses for an amount of money that can allow the construction of the university to be completed. Everybody knows [words indistinct]. Mr. Preval must be very careful. [passage omitted]

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Mexican Canacar President: Trade Wars Threatening NAFTA

PA0702035096 Mexico City LA JORNADA in Spanish 5 Feb 96 p 42

[Article by Patricia Munoz Rios]

[FBIS Translated Text] Bernardo Lijtszain, president of the National Chamber of Land Transportation of Cargo (Canacar), has stated that the trade wars unleashed by the U.S. transportation and agriculture sectors threaten to destabilize NAFTA.

Lijtszain maintains that apparently, the U.S. Government hasn't the slightest intention of fulfilling the NAFTA agreements and only "respects" its own economic interests.

Lijtszain made known that despite the fact that the Mexican sectors are at a disadvantage compared to the United States, they are willing to defend the fulfillment of NAFTA and they will not accept a unilateral deferment of the deadline for the opening of the market.

The cargo transportation sector is experiencing one of its worst crises in Mexico because there was an indiscriminate opening of the market for the importation of used tractor trailers into Mexico, and businessmen in that field became overly indebted, coinciding with a drastic reduction in operations due to the recession.

Because of this, the Mexican Government announced it was introducing a financial aid program for the cargo transportation sector, Lijtszain revealed.

Lijtszain said that his program will give all freight companies a waiting period during which time the sector might improve and recover from the "financial earthquake" of December 1994. Lijtszain added that they are seeking for a way to end the informal economy in the sector, a sector in which much piracy exists giving rise to unfair competition.

Hence, despite the unilateral decision of the United States to defer the enforcement of NAFTA in the cargo transportation sector because it would "benefit the sector and give it a chance to prepare itself for competition," Canacar members are against the non-fulfillment of the NAFTA agreements because if that is allowed to happen it will destabilize compliance with the treaty.

Meanwhile, Mexican avocado growers denounced that they have received threats from their U.S. counterparts saying that the will do "everything in their power" to impede the Department of Agriculture from opening the borders to that product.

Last week the President of the Commission of California Avocados Mark Affleck pointed out that U.S. avocado growers "were furious" because they learned that the Clinton Administration was secretly preparing to lift the ban on Mexican avocados in force since 1914.

U.S. growers support the old argument condemning Mexican avocados claiming that they contain flies and worms "which could contaminate the avocado fields in California and Mexico," which is not true.

According to Mexican avocado growers organizations, what its U.S. counterpart really wants is to protect its market — valued at approximately $1 billion in sales per year — from the high quality and low price of Mexican avocados.

Mexico's Zedillo Speaks at World Economic Forum

PA0702034496 Mexico City NOTIMEX in Spanish 1929 GMT 3 Feb 96

[By Olga Borobio]

[FBIS Translated Text] Davos, 3 Feb (NOTIMEX) — Free trade was the key element that allowed Mexico to overcome a financial crisis in 1995, so said President Ernesto Zedillo during a discussion at a plenary session of the World Economic Forum.

"We had this problem in 1995 because we neglected domestic savings," and this was compounded by other factors, Zedillo told specialists who asked whether the crisis was a reaction to NAFTA.

"I think that Mexico was able to swiftly overcome this crisis because we now have a free-trade system. We are NAFTA members and we have adopted all the right modernization policies," he underscored.

"A lesson of the Mexican experience was that changes made to achieve modernization were the right ones, but perhaps they were insufficient. Perhaps if we had implemented them sooner we would have averted the crisis," the Mexican president said.

"Anyone who thinks that the Mexican crisis was caused by the application of modernization policies to promote free trade is completely wrong," Zedillo added.

He pointed out that a comparison of the 1995 crisis and previous crises in Mexico produces the best evidence to back up this statement. He recalled that the country needed years in the early 1980's to overcome the debt and petroleum crisis.

Mexico's 1994 balance of payments deficit was corrected in 1995 precisely because of the expansion of the country's foreign trade, Zedillo told an audience that applauded his reply.

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Some 100 bank, investment fund, political representatives, and experts of various countries gathered at the plenary hall of the Davos Congress Center today.

Norwegian Prime Minister Gro Harlem Brundtland, World Bank Director James Wolfensohn, IMF Director Stanley Fischer, and WTO Director Renato Ruggiero participated in the roundtable.

The prime minister of Norway, who moderated the meeting, asked Zedillo how can wealth be redistributed in Mexico to include all Mexicans in the growth process.

The president answered that to achieve this goal it is important for the country to recover growth. The only solid base on which to finance ambitious social policies "is sustained economic growth," he pointed out.

Zedillo added that "in Mexico we have concluded that to tackle the most severe forms of poverty in an effective manner we need to apply very specific programs with very clear goals."

In order to achieve this, it is important that international conditions support domestic policies in this direction," he underscored.

The Norwegian prime minister and the World Bank director agreed with President Zedillo that the present great mobility of international capital should be viewed as a fact that we must live with.

Zedillo said that some persons in his country have called for restrictions on capital.

He said that this "would be a waste of time if one takes into account the level of technology and telecommunications, the speed at which capital can be transferred from one country to another."

The president said that it is essential to maintain close contact and a permanent flow of information with the financial and investment sectors and with international banking institutions.

Zedillo's European tour finished with his speech before the World Economic Forum in Davos after he had been in Madrid, Barcelona, London, Rome, and the Vatican. The tour started on 25 January and ended today when he returned to Mexico.

Mexico's Zedillo Says Country To Build Its Own Destiny

PA0602221196 Mexico City NOTIMEX in Spanish 2127 GMT 5 Feb 96

[FBIS Translated Text] Queretaro, 5 Feb (NOTIMEX) — President Ernesto Zedillo today said that Mexico is building its own destiny, is experiencing a crucial moment in its history, and needs to develop in a solid and intelligent manner the potential of its republican unity.

He stressed that the country will be stronger and more prosperous as the regions and communities comprising it become stronger and more prosperous.

Presiding over the meeting "Economic Recovery for the Welfare of Queretaro," in which he signed the 1996 Social Development Accord for the state, Zedillo reiterated his determination to fully enforce the state of law.

"Guaranteeing the rule of law is one of the principal demands of society and we are deeply committed with it," he stated.

"We will continue to advance in this regard, with perseverance, realism, and firmness," Zedillo added at the meeting held in the Government Palace in the State of Queretaro, after presiding over the ceremony marking the 79th anniversary of the 1917 Constitution.

He highlighted that on the threshold of the 21st century, his government is determined in an unpostponable and indispensable renovation of federalism.

The current Mexico, the president underscored, requires an effective connection between the historical principles of the Federal Republic, made up of sovereign states and free municipalities, as well as the practice of an equitable development for all regions and communities.

Zedillo warned that the construction of the new federalism is a task in which no delays will be admitted; "on the contrary, the government is determined to expedite the advancement in that direction," he indicated.

President Zedillo signed the Social Development Accord, which contemplates federal resources for this state, in excess of $30 million, 30-percent more than government spending assigned last year.

Mexico's Zedillo, Governors Discuss Federalism

PA0802015496 Mexico City XEW Television Network in Spanish 0400 GMT 6 Feb 96

[From the "24 Hours" newscast]

[FBIS Translated Text] The 79th anniversary of the promulgation of the Mexican Constitution was commemorated in Queretaro. President Ernesto Zedillo presided over the ceremony. During the event, Queretaro Governor Enrique Burgos Garcia said that the key principles and fundamental decisions of the Queretaro Charter are still valid.

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[Begin Burgos recording] These principles and decisions, which originated with the people and their agreement, have guided and continue to guide our lives. [end recording]

In addition, Chihuahua Governor Francisco Barrio Terrazas said that today, 79 years after the Constitution was promulgated, there are still problems that should not be overlooked, such as the peasants' standard of living, the administration of justice, and the job shortage. He pointed out, however, that the willingness to carry out reforms in recent years should be recognized.

[Begin Barrio recording] I am sure that those changes that you, Mr. President, are sponsoring constitute an important part of the democratic transition that Mexico requires and that, therefore, these changes must be supported for all they are worth. [end recording]

Deputy Humberto Roque Villanueva said the Mexican people recognize in the Constitution a synthesis of Mexico's history and the country's supreme law because the values of justice and freedom that it supports are permanent.

[Begin Roque recording, in progress] ...under a public ethics code, which can unerringly guide those who assume the responsibility of public service. [end recording]

The ceremony was attended by all of the country's governors. At the end of the event, Zedillo presided over the signing of a Single Development Agreement for the State of Queretaro. Later, he met in private with the governors.

Zedillo said that Mexico is going through a crucial stage in its history. He pointed out the unpostponable and indispensable need to renew Mexico's federalism.

[Begin Zedillo recording] Today's Mexico demands an effective connection between the historical principles of the federal republic, which is composed of sovereign states and free municipalities, and the practice of equitable development for all regions and communities. [end recording]

Zedillo also said that Mexico is outlining its own destiny and going through a crucial stage in its history. Mexico needs to firmly and intelligently develop the potential of its republican unity.

[Begin Zedillo recording] To enter the 21st century, we are committed to an unpostponable and indispensable renewal of Mexican federalism. [end recording]

In a news conference, Hidalgo Governor Jesus Murillo, Veracruz Governor Patricio Chirinos Calero, and Baja California Governor Hector Teran Teran, as well as Deputy Government Secretary Natividad Gonzalez, announced important decisions made during the meeting between Zedillo and the governors. Three main subjects of national importance were discussed: Federation, fiscal and financial relations with the states, and public security. Regarding public security and because of the alarming increase of the crime rate, it was decided to create a National Public Security Council, and the authorities were asked to make the greatest effort to fight crime. In the meeting, the speeding up of the process of decentralization of the highway system was requested. There are plans to transfer to the states the federal secondary road system and all rural roads. In the next two or three years, approximately 50 percent of the federal highway system will be decentralized from federal agencies. The governors who attended this news conference described the meeting with Zedillo as beneficial for the country.

Mexican Business Heads Predict More European Investment

PA0802032296 Mexico City LA JORNADA in Spanish 7 Feb 96 p 48

[Report by Raul Llanos Samaniego]

[FBIS Translated Text] Hector Larios, leader of the Business Coordinating Council (CCE), and Victor Manuel Diaz Romero, leader of the Confederation of Industrial Associations (Concamin), have said that Mexico has stopped being a high-risk country for European investors and predict a greater flow of capital from that area since "the distorted image they had of our country" has changed.

In separate interviews, the business leaders who participated in the recent presidential tour of various European countries said that the European community "got to know better" Mexico's political, economic, and social circumstances.

Larios Santillan said that in Europe, "we went to plant confidence; there we spoke realistically, without losing sight of the needs we still have and the social costs of the change."

It was evident, said the leader, that there was "overreaction" to the devaluation of the Mexican peso in December 1994, but they realized that this was not as bad as certain groups had made them believe.

To the contrary, he said, the upcoming privatizations and the macroeconomic changes taking place have caused much uneasiness, in addition to the investment opportunities these represent. [sentence as published]

Now, he said, to maintain confidence, "all of us are responsible, with entrepreneurs generating more jobs

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and wealth, workers making a greater effort, and the authorities creating conditions that provide security to domestic and foreign investments," together with a legal framework to encourage enterprises.

Diaz Romero mentioned that in the recent tour, both the president as well as the retinue that accompanied him, made it clear that "Mexico is a country of great opportunities." He said that the opinion the European investors had was that "we were a country with political and financial instability problems," but stressed that "those swings are not going to happen, both because of growing citizen participation as well as because of the economic and political actions taken."

He highlighted that the main doubts investors from Spain, the United Kingdom, and Italy had were how solid the recently adopted economic programs were, and that is why they wanted to listen to what the big entrepreneurs and leaders of private organizations had to say.

Mexican Association of Manufacturers on Debt Problems

PA0702020496 Mexico City EL FINANCIERO in Spanish 5 Feb 96 p 5

[Article by Isabel Becerril]

[FBIS Translated Text] Victor Manuel Terrones Lopez, president of the National Association of Manufacturers (Canacintra), has said it is extremely necessary to seek out alternatives to resolve the debt problems the industry has with the banks, to avoid falling into an El Barzon-type movement, and to dilute the concerns that exist among businessmen today.

He admitted that the debt problems with banks persist, especially among medium-sized businesses, "and the industrialists from that sector are very worried despite the capitalization alternatives that are being offered to them through the National Finance Bank," and despite the extensions granted to them within the ADE [Agreement for Immediate Support to Bank Debtors] to refinance their overdue portfolio.

As for the case of the ADE, he said that any businessman who does not renegotiate his debt through this mechanism, "since he cannot be forced to do so," must assume his responsibilities and find a solution to his problem with the bank.

Terrones Lopez explained, however, that any businessman who does not avail himself of the ADE's benefits, because he was unable to do so or because he did not want to renegotiate his debt with the bank, will continue to be supported by associations like the Canacintra.

"We will always defend the members of our association; we are also going to seek alternatives with financial authorities and with banks to resolve the debt problem."

He said that for the time being, businessmen are unaware of the degree of progress the ADE has had because the Mexican Association of Bankers and the National Securities Commission have not officially submitted figures. The only thing we know are the statements made by their spokesmen, who say that up until now 70 percent of debtors have signed and availed themselves of the ADE in the business sector.

"We hope that is true," Terrones Lopez said, adding that there is great concern among a large number of industrialists, who are already asking for new alternatives — that are unprecedented — to resolve debt problems with commercial credit institutions.

Caja de Asturias Loans for Private Enterprise

Moreover, speaking of the trip to Europe, as part of the delegation that accompanied President Ernesto Zedillo, he said manufacturers are currently negotiating a line of credit with the Caja de Asturias so that Mexican businessmen can export their products to Spain.

It is worth noting that if an agreement with the Caja Agraria is reached, it would be the second loan that the Canacintra industrialists would receive from Spanish credit institutions. The first agreement was reached with the Caja de Madrid.

Terrones Lopez said four delegations of Mexican industrialists from the mechanical, furniture, and vehicle spare parts sectors will travel to Spain in the next few months to promote Mexican products.

They will visit Madrid, Barcelona, and the Basque Country, among others. In addition, two Spanish delegations are expected in the country in the next few months.

As for the concerns the Spanish businessmen may have about Mexico, the Canacintra president said these are economic rather than political concerns.

Mexico To Grant Production Sector 'Additional Subsidies'

PA0702034296 Mexico City EL FINANCIERO in Spanish 5 Feb 96 p 23

[Report by Lourdes Gonzalez Perez]

[FBIS Translated Text] In a new attempt to rescue mini-, small-, and mid—scale companies from the severe crisis they are facing, Secofi [Commerce and Industrial Development Secretariat] will implement "a number

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of additional subsidies" aimed at this sector, which represents 99 percent of the country's companies and generates 78 percent of the country's jobs.

In an implicit recognition of the failure of the previous programs, Secofi agrees that the smaller companies' production reorganization process still faces obstacles that hinder their ability to respond and create new job sources. Decio De Maria Serrano, industries and foreign trade promotion under secretary [title as published], admitted that even if the Mexican economy is showing positive signs of recovery, financial problems still continue for a large number of manufacturing companies. He pointed to the urgency to strengthen the actions to promote businesses, especially smaller businesses. It is necessary, he said, to lay the foundations of a better future through the implementation of programs of the National Council for Mini-, Small-, and Mid—Scale Companies.

As he presided over the second regional coordination meeting by the State Mini-, Small-, and Mid-Scale Companies Committees, De Maria explained the objective of forming a stronger, more prepared, and more productive industrial and commercial variety of companies that will support the recovery that various economic sectors are starting to show.

In this regard, the under secretary commented that the additional subsidies Secofi will grant to lower-scale businessmen will allow them to conduct businesses and to have better prospects of consolidation and growth for productive activities through the creation of more jobs and economic distribution.

The Secofi official met with the economic development secretaries of seven states — namely, Michoacan, Guerrero, Colima, Hidalgo, Tlaxcala, Mexico, and Mexico City. In the meeting in which the progress of the subsidy programs was explained, the problems productive sectors are facing in each state were also analyzed. De Maria stressed the need to link the federal and state programs and to make more coherent the efforts being made in each area to promote business activities.

After presenting various Secofi lines of action for this year, De Maria requested an analysis so that tangible actions favoring smaller productive units and guaranteeing their launch and consolidation in the country's economic arena will be organized and will start within the next three months.

The challenge, the under secretary pointed out, is to guarantee that a growing number of regions, sectors, productive chains, and firms will benefit from the competitive advantages of the domestic economy. Above all, he added, we must take advantage of the ability to adapt the country's mini-, small-, and mid-scale businesses have to increase the competitiveness of the domestic production sector.

Mexican Official on 'Challenge' of Replacing Imports

PA0802005996 Mexico City NOTIMEX in Spanish 2005 GMT 7 Feb 96

[FBIS Translated Text] Guadalajara, 7 Feb (NOTIMEX) — In 1996, Mexican industrialists will face the challenge of replacing $60 billion worth of imports that had been previously supplied by multinational and domestic companies, Commerce Secretary Herminio Blanco said today.

Blanco said his office will promote "numerous meetings with large industrialists who have control over the import markets in an effort to support medium- and small-sized businessmen. [no end quotation mark as received]

When introducing, in this western city, the secretariat's overall strategy for supporting the country's economic reactivation, he said the State of Jalisco could become the seat of one of the first centers for business competitiveness.

He said the secretariat's overall strategy includes deregulation and import replacement plans, the creation of business competitiveness centers, the consolidation of companies, and a "national crusade" in the field of data processing.

The official explained that the deregulation program's objective is to draft a single list of requirements, which is currently being done and which could be implemented within the next two months.

Speaking before business leaders, he said the "National Data Processing Crusade" will especially benefit small businessmen. The crusade will be promoted in coordination with manufacturing industries from the electric and electronics sectors as well as with "software" producers.

Blanco said the objective is to get small businessmen to understand and accept the existing technology, because as far as the data processing sector is concerned, it is almost foreign to them.

The commerce secretary said the program will allow them to boost the sector's reactivation, which was initiated last August when the unemployment rates began to drop.

Later on, the commerce secretary told the media that the North American Free Trade Agreement (NAFTA)

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"is operating fine" despite problems in tomato exports and the transportation sector.

He said that in 1995, trade between Mexico and the United States reached $10 billion. "Considering that volume of trade and the fact that we are only having problems with tomato exports and the transportation sector, we can say that we are operating well institutionally."

"At no time did we say during the NAFTA negotiations that we would not have trade problems with the other member countries," Blanco said.

He said that a free trade agreement establishes the discipline and the instruments to resolve controversies that may emerge, while the necessary adjustments are made according to each particular case.

Mexican Party Threatens To Spread Blockades of Pemex

PA0702005096 Madrid EFE in Spanish 1800 GMT 5 Feb 96

[FBIS Translated Text] Mexico City, 5 Feb (EFE) — The blockade of oil wells in Tabasco State is threatening to spread to other installations owned by state-owned Mexican Petroleum (Pemex) if the government fails to meet the demands the Party of the Democratic Revolution (PRD) has made.

On 29 January, PRD members in the southeastern state of Tabasco started a "resistance drive" against the government's economic policies and blocked 51 Pemex oil wells.

PRD National Committee member Jesus Martin Del Campo told EFE that his party will stage actions throughout the country to support the struggle "Tabasco PRD followers" (PRD members) are conducting "to defend sovereignty and oppose the privatization of the petrochemical company."

Del Campo pointed out that the PRD National Directorate will await the results of the negotiations being held at the Government Secretariat to evaluate the next supporting actions in Tabasco and that the followers are preparing themselves to return to the wells from which they were dislodged a few days ago.

PRD leaders will meet today with Government Under Secretary Arturo Nunez and Pemex representatives to discuss likely solutions to the conflict. "If the government continues with the evictions, the PRD will stage demonstrations throughout the country, starting with a rally in front of the Pemex Tower in Mexico City," the leader said.

On 4 February, military and police forces dislodged the "PRD followers" from the roads accessing the Samaria oil field, located approximately 16 km off Villahermosa, which is the state capital, in order to "guarantee the continuation of works and prevent the actions from causing more losses." Mexican Army members and Federal and State Police agents participated in the eviction. There was no violence, because the peasants who were blocking the accessing roads retreated prior to the arrival of security forces. They warned, however, that they are ready to return.

Tabasco PRD leader Andres Manuel Lopez Obrador warned that if the government continues to expel his party's followers, they would take over other Pemex installations, adding that the government would need 20,000 soldiers to dislodge more than 200,000 Tabasco residents who are willing to peacefully fight for their rights.

The PRD stressed that it will continue the blockades until the company commits itself to repair the ecological damage and allocates resources for an overall development program for the areas in which the oil fields are located. The party demands Pemex install antipolluting equipment and develop a permanent program to maintain oil and gas pipelines to prevent accidents.

In addition, the PRD asked that the federal economic contributions to programs of community interest be increased to attend the populated areas that the exploitation of hydrocarbons has adversely affected. The party voiced its decision not to allow the opening of a single oil well in Tabasco if the company does not commit itself to resolve their demands.

Meanwhile, Pemex has insisted it has benefited the state and has published in national dailies reports stating that it made contributions amounting to approximately 277.6 million pesos (approximately $38 million) in 1995. The company maintained that these resources were invested in various infrastructure works; environmental studies; and subsidies to projects of production, health, ecology, and regional development. It also donated materials and carried out other actions to support the people whom the hurricanes adversely affected.

As for the destination of the resources, Pemex underscored that 176 million pesos (approximately $24 million) were allocated to infrastructure works and that, in addition to 59 million pesos (approximately $8 million) worth of donations, the state government received 35 million pesos (approximately $5 million).

According to a Pemex report, the largest allotment was for road maintenance, including the repaving and revamping of the roads Pemex trucks have ruined.

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Mexico: Antidrug Electoral Reform Rationale Cited
96P20265A

[FBIS Report] In a 2 February Mexico City REFORMA in Spanish (Internet edition) commentary, Alonso Lujambio drove home the need for thorough election campaign finance reform in Mexico by drawing on a Colombian National Electoral Council proposal made during summer 1994, long before the currrent round of allegations of drug trafficker links to the campaign of Colombian President Ernesto Samper. Lujambio, who is director of the Political Science Program at the Autonomous Technological Institute of Mexico, wrote that the Council's "draconian transparency requirement" proposal would also serve Mexico well. While rejecting the notion that drug money had financed any Mexican campaign to date, Lujambio cited what he considered an increasingly likely hypothesis that Institutional Revolutionary Party (PRI) presidential candidate Luis Donaldo Colosio was killed for refusing such a funding offer. Lujambio argued that the Council's proposed reforms of shorter campaigns, government officials monitoring each candidate's campaign finances, centralized banking of campaign moneys, prohibitions on cash contributions and contributions from companies, and limits on personal contributions might help to protect Mexican electoral processes—plagued by the PRI's long history of "unlimited and illegal" support from the government—from being overcome by the "rabid dog" of drug money.

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Nicaragua

Bomb Explodes in Nicaraguan Church Before Pope's Visit

PA0702195996 Panama City ACAN in Spanish 1305 GMT 7 Feb 96

[FBIS Translated Text] Managua, 7 Feb (ACAN-EFE) — A bomb explosion last night at El Calvario Catholic Church in Masaya caused slight structural damage but no casualties, reported radio stations in Managua, citing police sources.

The device exploded shortly after 2000 (0200 GMT on 7 February) at the northern flank of the church that was closed, police from Masaya, 30 km east of the capital, added.

The explosion, which alarmed the neighbors of El Calvario Church, opened an eight-inch hole in the floor of the religious building.

This terrorist act occurred hours before the start of a 10-hour pastoral visit by Pope John Paul II.

After the explosion of the bomb, which was probably made up of dynamite, the Catholic residents of Masaya gathered in front of the attacked church to pray for and protect the church.

Twenty-one Catholic churches in the country have been the target of dynamite attacks since 8 May.

Ecclesiastical sources have stated that these terrorist attacks seek to obstruct the pope's visit or to destabilize the government, and thus to undermine the electoral process that will end with elections on 20 October.

Nicaraguan Government Issues Property Stability Law

PA0702213896 Managua LA PRENSA in Spanish 3 Feb 96 p 16

[Text of Government Decree No. 1-96 issued by the president of the Republic on the regulation of the Property Stability Law]

[FBIS Translated Text] Decree No. 1-96

The President of the Republic

WHEREAS

That the return or adequate compensation to those individuals whose properties were affected during the past decade, the amendment of mistreatment carried out to private and public property, and the granting of ownership titles to those legitimate agrarian reform beneficiaries and of plots and housing in the urban area, all of which are Government priorities, and that in order to expedite its compliance requires issuing provisions to regulate Law No. 209 of Property Stability.

THEREFORE

In use of all legal faculties granted by the Political Constitution,

Has Dictated

The following Decree:

Regulation of the Property Stability Law

CHAPTER I

Preliminary Provisions and the Expedition of Steps for Agrarian and Urban Property Ownership.

Article 1: The objective of the present Decree is to establish the guidelines regulating Law No. 209 that will facilitate the compliance of everything stipulated in said law.

In the text of this regulation, Law No. 209 will be known simply as "The Law" and the Institutions or Organizations included in it, can be distinguished by the acronyms frequently used identity them.

Article 2: In those cases of urban plots transferred under the protection of Law 88, referred to in Art. 2 of the Law, land surveys to be carried out by the Ineter [Nicaraguan Institute of Territorial Studies] will serve as original blueprints for the drafting of the corresponding property ownership titles in favor of all beneficiaries.

Article 3: The Cornap [National Corporation of the Public Sector], in accordance to powers granted in Article 10 of the Law, will designate those officials who will represent the corporations or state agencies during the deed granting process. Likewise, the Cornap will coordinate with the Office of the Attorney General when this office has been selected to represent the State.

CHAPTER II

Rights of the Aggravated Parties

Article 4: The 90 day period referred to in Article 11 of the Law to deliver before the National Commission for the Revision of Confiscations of all requests by individuals victims of appropriation, confiscations, or takeovers of their real property [bienes inmuebles] and other associated assets, who were unable to do it at the right moment, will begin to run as of 4 December 1995.

Article 5: The powers referred to in Articles 13 and 16 of the Law will be exercised by the Mifin [Ministry of Finance].

Article 6: In order to quantify the indemnity, the value of the assets minus the value of the liabilities at the

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time of the grievance will determine the net amount to be compensated.

In order to estimate the value of the real property, the actual unitary cadastral value [valor catastral] will be used over existent land and constructed area at the time of the grievance.

To determine the net balance to be compensated, the liabilities of the aggrieved party together with that of the State an its institutions at the moment of the grievance will be expressed in equivalent in U.S. dollars in accordance to the official exchange rate in effect on that date.

Likewise, all bonds or payments made by the aggrieved party to the state or any of its institutions prior to the moment of grievance, will be taken into account by applying the official exchange rate with respect to the U.S. dollar at the time when payment was made.

CHAPTER III

Reopening of the Office of Territorial Organization [OOT]

Article 7: With respect to Article 17 of the Law, the 90-day time period according to which the OOT can receive acquisitions requests for processing in accordance to what is stipulated in Decree No. 35-91 that were not presented at the right moment, under the protection of Laws 85 and 85 [as published], will begin to run as of 4 December 1995.

Article 8: The Reinstatement Motion [Recurso de reposicion] filed before the Mifin stipulated by Article 18 of the Law, for natural persons and corporations which, prior to the Law having entered into effect, were denied the right of a territorial organization, will be received by the Mifin Legal Advisory Office during a 45 day term that will start running as of 4 December 1995.

Delivered in the form of a motion, and presented on time, the Mifin will request the respective files to the OOT, or the Office of the Attorney General, and will rule on the request in accordance to what is stipulated in the Law.

CHAPTER IV

Property Tax Acquired in Accordance to Law 85

Article 9: With respect to Art. 22 of the Law, by unit assessed valuation [valor catastral unitario] it is understood: "The value by metric unit that is utilized by the Fiscal Cadastre Directorate of the Mifin, to determine the value of all Immovable Property and all incidental rights, by taking into account the rustic or urban feature of said properties."

The sum of: a) the land's updated cadastral value, plus b) the updated unitary construction cadastral value, applied to the existing total constructed area at the time the beneficiary occupied the real estate.

The Mifin will officially notify the amount of tax that each beneficiary must pay. This amount will be updated quarterly until the tax is paid or a payment agreement is signed.

Article 10: Regarding mortgages, means of payment, terms, and executions mentioned in Article 24, 25, and 26 of the law, the Attorney General will send a memorandum [minuta] of the respective property to the Public Registrar, with a copy to the General Directorate of Revenue [DGI], requesting that the mortgage be registered in favor of the state, listing the registry number, total amount of the tax plus interests, maintaining both the value and expiration term of the tax.

This mortgage's tax registry certification will serve to take legal action in case of nonpayment.

Article 11: Mortgage debtors must cancel the taxes or sign agreements on tax payment means to the DGI, not exceeding the terms established in Article 25 and 26 of the law, regardless of what is encompassed in the latter part of Article 3 of Law 180 dated 27 July 1994, published in LA GACETA, Official Diary No. 141 of 28 July 1994.

Tax payment agreements referred to in Article 26 of the law must be done subject to successive monthly or quarterly payments with a maintained value clause in relation to the dollar, with the first payment made upon signing the agreement, and must include a clause that the consecutive noncompliance of three monthly payments or one quarterly payment, the mortgage guarantee will be made effective.

Article 12: The Mifin, through the DGI, may agree with the Housing Bank of Nicaragua or other financial institution, on the collection the tax payments.

CHAPTER V

CORRECTION OF ABUSES AND RETURN OF REAL ESTATE

Article 13: As far as Article 30 of the law is concerned, "Urban Limit" shall be defined as what is established under Article 9 to 12 inclusive, of the "Zoning Regulations and Use of Soil for the Managua Municipality," dated 15 April 1982, published in the LA GACETA, Official Diary No. 110 of 12 May 1982 and in annexes 1 and 2 of the Regulations, of "Geographical Description of the Areas of Exception," drafted by Ineter.

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CHAPTER VI

GENERAL DISPOSITIONS

Article 14: Regarding the latter part of Article 35 of the law, the Finance Ministry will set the value of the properties to be swapped, so as to determine whether or not there is a balance in favor of the state in the exchange or swap.

Article 15: For compliance of Article 38 of the law, the true replacement value for indemnity purposes, is the equivalent of the current amount needed to acquire the land and constructing of a house of the same construction area and characteristics of the affected building.

CHAPTER VII

FINAL DISPOSITIONS

Article 16: The Office of Indemnity Amounts [Oficina de Cuantificacion de Indemnizaciones] will establish the amount of the improvements made referred to in Article 45 of the law. The form of payment will be agreed with a term not to exceed 10 years, maintaining the value, periodic monthly or quarterly payments, and with a yearly interest rate of 4.5 percent on the pending balance.

Article 17: In the case of lots that exceed 1,000 sq. varas, the Office of Urban Deeds [Oficina de Titulacion Urbana — OTU] will request a pronouncement from Ineter to verify the requirement established in Article 46 of the law, regarding the true livable area.

Article 18: Without disregarding the public notification mechanism referred to in Article 47 of the law, the Mifin shall send the list of Agrarian Reform Deed holders to the INRA [National Institute for Agrarian Reform] director, who will send copies to INRA department branches or agencies, to be placed on the bulletin boards.

Article 19: The Mifin, the General Attorney's Office, the Cornap, and the Nicaraguan Agrarian Reform Institute, are empowered to draft the necessary and complementary administrative regulations for the best compliance of the assigned work and responsibilities according to the law and current legislation. Likewise, the INRA should make the necessary studies and draft a regulation proposal to Article 37 of the law to present to the presidency of the Republic.

Article 20: This decree becomes effective from the moment it is published by any of the media, regardless of its eventual publication in LA GACETA, Official Diary.

Issued in the city of Managua, Presidential Palace, on 26 January 1996.

[Signed] Violeta Barrios de Chamorro, President of the Republic of Nicaragua

Panama

Panama's Plan for Port, Railroad Sale Not Yet Decided

PA0602223096 Panama City Circuito RPC Television in Spanish 2300 GMT 5 Feb 96

[Report by Alexander Calderon from the "RPC Television News" newscast]

[FBIS Translated Text] National Port Authority Director Hugo Torrijos has said that several foreign companies have shown interest in buying the Balboa and Cristobal Ports and the Panama Railroad, but whether the privatization will be carried out by publicly requesting bids or by granting a direct contract remains to be decided.

[Begin Torrijos recording] As I said, we still have to assess if it is best to give the two ports to a single company, give each port and the railroad to three separate companies, or give one part of the Balboa port to one company and the other part to another company. That is why I am telling you that we cannot talk about a bid process, because this may not be the way it is done. [end recording]

This weekend, the Council of Cabinet approved the hiring of a consulting company to establish the best option to privatize the railroad and the two ports, which in 1995 generated a total of $18 million.

[Begin Torrijos recording] Be assured that this is being done in a very prompt manner because that is in the best interest of government as a whole. We can say that in the president's economic program, which includes all the laws that have been approved in the past year and a half, having fast-moving, highly competitive, and low-cost ports is a fundamental element. [end recording]

The authorities have asked U.S. Bechtel Power Corporation for a waiting period before replying to its proposal. The "RPC Television News" has learned that the U.S. Embassy supports this proposal, and has even sent a letter to the Panamanian Foreign Ministry, stating that the U.S. Government would look kindly upon the approval of this contract. Meanwhile, the arrival of the Hong Kong International Service and Kawasaki companies is expected this week. These companies are also interested in participating in the privatization process, for which there is no established deadline.

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Panama To Create Antidrug Center in Reverted Areas

PA0702042096 Panama City EL SIGLO in Spanish 6 Feb 96 p 10

[Article by Yuriela Sagel]

[FBIS Translated Text] Marcel Salamin, director of International Conferences of the Foreign Ministry, said yesterday, 5 February, that Panama will be the seat of the "Multilateral Center for the Fight Against Drug Trafficking and Related Crimes," an initiative that was presented by President Ernesto Perez Balladares to the Rio Group in the latest meeting held by the group.

Salamin said the center will be located in the physical installations that will be turned over to Panama as part of the Panama Canal transition process.

He said the center will operate with the financing of all countries that are members of the Rio Group and said it will not interfere with the sovereignty of any nation because repressive aspects will be the absolute responsibility of each government.

Salamin said the center's objective will be to exchange and process information. In addition, it will provide information so that citizens can help fight international drug consumption and trafficking.

Rio Group representatives met with the Panamanian Attorney General Jose Antonio Sossa, who is also secretary of the Inter-American Committee for the Control of Drug Abuse, CICAD, to initiate the first steps for the creation of the future center.

Salamin said consultations are currently being held with the various sectors with the purpose of drafting the best proposal for the center's creation.

The first phase of the project should be ready no later than June of this year when the OAS is scheduled to meet in Panama.

The members of the CICAD are drafting strategic regional plans to fight drug trafficking at the hemispheric level.

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Argentina

Argentine Government Officials, Others Named in IBM Case

PY0702214796 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0042 GMT 7 Feb 96

[FBIS Translated Text] Buenos Aires, 6 Feb (NA) — A request by the U.S. Department of Justice cites Alberto Kohan, secretary general of the presidency; Senator Jose Bordon; and Rodolfo Gabrielli, a former governor of Mendoza Province, among "those involved" in the alleged bribery during the contracting of IBM to provide informatics services.

High-ranking directors of the Argentine National Bank [BNA] and of IBM, in addition to former government officials, are also requested by the U.S. Department of Justice to testify in the investigation into the paying of "bribes" in the contracting of IBM.

The request submitted by U.S. Attorney General Janet Reno to Elias Jassan, her Argentine counterpart, invokes a bilateral cooperation agreement concerning judicial matters. The Argentine Government is requested to "contribute all data relating to the IBM-BNA case" in which there is an accusation of a $37 million bribe.

It has been learned that Federal Judge Adolfo Bagnasco, who is investigating the case, received the request over a week ago.

The request is also ratified by two prosecutors who work with Reno, but in the "South District of New York." They expressly ask Jassan to allow them to be present when those summoned testify.

The list of "involved" persons, according to the request, is headed by Kohan. He is followed by Juan Carlos Cattaneo, the former under secretary; Marcelo Cattaneo, his brother; Bordon; and Gabrielli, currently a deputy from Mendoza Province.

Wilmar Gaicamboriu, outgoing executive of IBM at the Latin American level, is also mentioned. Gaicamboriu was replaced last week by an Italian executive of the firm in South America.

The request for access to "all proceedings, records, and investigations" also includes those involving "the directors that were removed from the BNA, as well as investigations into IBM Argentina and the contracting firms Consad and CCR."

The request includes the BNA board of directors that was headed by Aldo Daddone. This board was removed when the scandal regarding alleged bribery broke.

The case against former Governor Bordon and Gabrieli, who succeeded him, refers to the "renting of informatics systems for Mendoza Province" which took place during the mandates of the two in that province.

Finally, the request refers to "everything related or linked to the Centenario System of Informatics of the BNA," which unleashed one of the greatest bribery scandals in the country.

The case of the alleged payment of bribes in the informatics contracts between the BNA and IBM broke in August 1995 when Leopoldo Moreau, who was then a Radical [Civic Union] deputy, brought up the topic during the interpellation of Economy Minister Domingo Cavallo.

Argentina: Correction to Air Force Head on Monitoring

PY0602192196

The following correction pertains to the item headlined "Argentinian Air Force Head on Monitoring Air Traffic," published in the 5 February Latin America DAILY REPORT, pages 31-32:

Page 31, column two, second paragraph of item, only sentence, make read: ...plan costs about 430 million pesos," Paulik... (correcting "30 million pesos")

Bolivia

Bolivian Daily on Colombia's Samper, 'Lamentable Situation'

PY0702150796 Cochabamba LOS TIEMPOS in Spanish 28 Jan 96 p C9

[Commentary by Carlos Alberto Montaner: "Why Samper Must Resign"]

[FBIS Translated Text] (FIRMAS PRESS) — Let us sum up events so that we can understand ourselves. Fernando Botero, former Colombian defense minister, who has been in jail for some months now, insists that President [Ernesto] Samper knew and approved of the fact that the drug trafficking "cartels" were providing abundant financing for his 1994 presidential campaign. Botero directed that campaign and the money passed through his hands. Samper flatly denies this, and — being, after all, a lawyer — he asks for the evidence that implicates him in the crime. There is no evidence. It is one person's word against the word of another person. This notwithstanding, and according to the polls, the Colombian people, by a ratio of two to one, believe Botero is telling the truth, and in the meantime the clamor of the people asking for Samper's resignation is growing.

Now, let us view the persons involved. My ties with Ernesto Samper, the Colombian president, have always

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been extremely cordial. In my opinion, he is an intelligent man, gifted with a sense of humor (which is always welcome), and he is, without a doubt, an astute and persuasive politician. I do not share his populist ideas regarding the functions of government or of the character of a government, but I am afraid that his overview of societal problems is much more rooted in Latin America than mine.

Then, Samper does not transmit the impression of being a political thief who uses public life to obtain riches that can be obtained in professional or business activities. Moreover, and I agree with the majority of Colombians, I do believe that he is capable of receiving ill-gotten money to finance his electoral shenanigans, like so many politicians in this our imperfect world. These types of things are always easy and demagogically justifiable: Did not the United States use the American mafia to help with the allied disembarking in Sicily during World War II? A pretext, the gringos say, is just like a backside: Everyone has one.

Fernando Botero is also an extraordinary and pleasant guy. He is very well formed doctrinally, is very far removed from the populism of the president, and is well off economically. He is the son of a famous painter who is an untiring advocate of the universal cellulitic school, and he had before him a splendid political career that, in 10 or 12 years, would have taken him to Narino Palace. And then, flung into a cell, discredited before his country, he did the right thing: He placed the responsibility, which in the beginning he assumed alone, at the feet of his boss. Let each of them shoulder their load.

Given this lamentable situation, Samper must resign, even if he will not admit his guilt. It is very possible that there is no evidence against him, but he was elected head of state to represent his country with dignity, to administer the public sector with efficiency, and to serve as the mainstay of a society that needs, nearly more than any other in Latin America, that magic element of cohesion that is required by all human tribes to maintain the always threatened coherence of the group. And the truth is that Samper, whether guilty or innocent, cannot carry out any of those three tasks. He simply cannot comply with the essence of the mandate that the Colombians gave him: Serve his people.

Who will succeed Samper in the event he makes the patriotic decision to step aside? Naturally, it will be Vice President Humberto de la Calle, who today, and this is strange, is ambassador in Spain. De la Calle is an honorable, intelligent, and refined man and no one has accused him of receiving banned money. Samper did not select him as vice president through political patronage because he came in second place in the "primaries" of the Liberal Party in 1993. Was he not also elected with the same money that helped Samper win the presidency? That is true; however, it is not the legitimacy of the 1994 elections that is in question but the current governability of Colombia, something that is much more important for all the citizens. The 1994 elections are now a thing of the past and cannot be modified. At this time, it is a question of saving the future.

Colombia is not a nation with solid institutions that are capable of guaranteeing the transfer of authority peacefully in abnormal circumstances. Congress, which emerged from the most recent Constitution, is in unmanageable chaos. For decades the judicial branch has suffered from erosion by drug trafficking, guerrillas, and the paramilitary groups. In addition, if the executive branch becomes paralyzed because the president is discredited and demoralized, the door remains open for any (or several) of our usual devils: Street riots, military coups, or even the final offensive of those 20,000 or 30,000 gut rippers disguised as romantic guerrillas who are camping throughout the country, even in the vicinity of Bogota.

Money, that wise and cowardly rat, has already begun to flee or hide in every type of hole. Foreign investors are heading the hesitant caravan, and domestic capital is not very far behind. Colombian society, which elected Samper, today requires that he withdraw in an organized way. It does not want him to dig a trench to defend his very reduced power at any cost. That is not nobility; it is pigheadedness. To die with your boots on and a sword in your hand is not the gallant thing to do in this war. The thing to do is to admit that political life is full of the setbacks and reverses that many leaders have had to endure. This does not mean to say that everything is finished for Samper, a man who has not yet reached 50. Nixon, who was also obliged to leave the presidency through a narrow door, was able to recover his image, and he left several useful books for American society. When he died, the North Americans buried him with respect. Something like that is within Samper's reach — unless he pigheadedly continues with his error.

Bolivian Daily Calls Colombian Situation 'Lesson'

PY0702163596 Cochabamba LOS TIEMPOS in Spanish 28 Jan 96 p A10

[Editorial: "The Colombian Crisis Reveals the Dangers of Drug Trafficking"]

[FBIS Translated Text] The uncomfortable situation in which the Colombian president finds himself reveals to the world the dangers of the infiltration of drug trafficking in the activities of a country, especially in

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political and business matters and in the repressive mechanisms. The criminals who traffic in banned drugs do not in any way hesitate to defile institutions, to sully good names, and to destroy lives. Those merchants of death wreak havoc and they feather their nests without hesitation or scruples.

The need to put a definitive halt to the immoral business of drugs becomes patently clearer upon arriving at the sad confirmation that the mafias have a marked interest in infiltrating the circles of power in the countries where they operate. Those criminals, who are avid for illicit riches, want to control everything in order to help their dirty deals. Their methods of infiltration include gaining the acquiescence of the useful fools who place themselves at the service of these criminals in exchange for some handouts. They use them as instruments to achieve connections with important persons active in public life and in the banking and business sectors, etc. With subtle methods they seem to be innocent cooperators in a cause or efficient financial promoters.

In several Latin American countries, the drug traffickers, with a complete lack of inhibition, have been able to purchase the consciences of judges, policemen, and high-ranking officials. Not content with those connections, they have found it convenient to infiltrate the active political sector, and with an effrontery that derives from certain successes, they have taken up the task of financing political campaigns, with the intention of charging a very high price for the services they have rendered. In this respect, the criminal organizations know how to operate, and they have demonstrated that when one of those who has been favored fails at a particular time, these organizations know how to collect their debts by leaking to public opinion the evidence that they have accumulated during the process of corrupting those weak fools who let themselves be taken over by the temptation of making a profit at any cost.

The scandal that is harming the Colombian people is a lesson for Latin American politicians. The financing of electoral processes with drug money must not be repeated because it is part of an activity that brings greater responsibility for he or those that have received dirty money, which in itself is compromising.

It is possible that the contributions of the drug traffickers to the election campaign of the current Colombian president were not known to him. But, according to the reports that are coming from Bogota, the main actors in the election campaign that led to the victory of Mr. Ernesto Samper have acknowledged that they received money from members of the Cali cartel. This disgraceful confession severely undermines the image of a man who inflicted severe blows on organized drug trafficking. The criminals who deal in banned drugs will not forgive him for having inflicted those blows, and the politicians who want the president to resign will not take it into account.

Brazil

Brazil's Senate Committee To Vote on Sivam 13 Feb

PY0802010796 Sao Paulo AGENCIA ESTADO in Portuguese 2053 GMT 7 Feb 96

[Report by Rosa Costa]

[FBIS Translated Text] Brasilia, 7 Feb (AE) — In his report on the Sivam (Amazon Region Surveillance System) project to the Senate special committee, Senator Ramez Tebet (PMDB-MS) today described as irrelevant the charges raised against the Sivam project. According to Tebet, who is the rapporteur of the project, the controversy over the project — which has been under investigation during the past 70 days — stems from the current Brazilian industrial and technological policy and from fears that the Brazilian Government might be acquiring a closed package of equipment and systems. Tebet said: "I feel sufficiently convinced about the strength of the arguments used to defend the project."

Tebet's report, which is favorable to the Sivam project, is 81 pages long and provoked a collective request for time to review it by the committee members, who will thus only vote on it at 1000 [1300 GMT] on 13 February. Tebet made recommendations designed to improve and to monitor the Sivam project such as opening a tender bidding to select companies that would be in charge of the civil engineering portion of the project at an estimated cost of 110 million reals [R]. Tebet also wants the National Accounting Office (TCU) to monitor the implementation of the project.

Tebet proposed a draft resolution revoking the Senate's earlier authorization for contracting a foreign loan issued to ESCA [Automation and Control Systems Engineering], which was excluded from the project; and to Raytheon, which will not be affected by this measure. The U.S. company will be the main beneficiary of the bill in which the administration asks for Senate authorization to contract an Eximbank loan. Tebet claimed that the Senate overstepped its authority the first time when it specified the names of the companies in its authorization to contract a foreign loan.

Tebet fully endorsed the contentions of the Aeronautics Ministry against the charges of irregularities raised by the TCU, although the explanations given to the committee by Minister Lelio Lobo have been described as unsatisfactory. According to Tebet, the investigations

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conducted by the committee have shown that the one who should be punished is Julio Cesar Gomes dos Santos, the former protocol chief of Planalto Palace, whose actions are already being investigated through an administrative inquest ordered by the administration.

Tebet wants further "punishment" to be meted out to Gomes dos Santos "in light of the undue benefits" he gave to Raytheon. Gomes dos Santos is among a group of people who became suspects of involvement in the project negotiations after the Federal Police taped telephone conversations in which Gomes dos Santos promised to act on behalf of Raytheon. He noted, however, that "no action has been taken that would have clouded the openness of the process."

Brazil Daily on Effects of Reduced U.S. Interest Rates

PY0702200996 Sao Paulo FOLHA DE SAO PAULO in Portuguese 2 Feb 96 Section 1 p 2

[Editorial: "Blessing or Curse"]

[FBIS Translated Text] The interest rate cut in the United States has reinforced the Real Plan. As dollar investments elsewhere become less attractive, Brazil becomes more alluring for these resources — and at reduced interest rates. Also, the possibility of resources leaving the country becomes more remote.

This favorable international scenario is extremely important for Brazil because our economic stabilization depends very much on the financing of our balance of payments deficit in the current account.

Brazilian monetary authorities have just received a real present from the central bank [as published] in the United States. They will save on what they were going to pay in interests and will sleep better.

Nevertheless, if the Brazilian Central Bank refuses to speed up the reduction of taxes, the drop in U.S. interest rates will only serve to increase further the existing difference between money earnings in Brazil and abroad. This difference tends to accelerate the already excessive admittance of foreign resources and force the issuance of certificates to remove this money from circulation.

Thus, instead of benefiting from the drop in U.S. interest rates, Brazil could be harmed by its negative effect on our public accounts. The cost in dollars of our internal debt is higher than what the Central Bank earns on its currency reserves.

The drop in U.S. interests may be a blessing. Fortune does not often smile on us in such a valuable way. The Brazilian Government must not throw away this excellent opportunity.

Brazilian Daily: Interest Rate Drop To Reduce Investment

PY0702195496 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 3 Feb 96 p B5

[Article by Beatriz Abreu and Soraya de Alencar]

[FBIS Translated Text] Brasilia — No further accumulation of international reserves: This was the Central Bank's main objective when it decided to reduce interest rates on 1 February. A high-ranking Finance Ministry source stated that the Central Bank is seeking to discourage foreign investments. The idea is to observe how the exchange market behaves before deciding whether to adopt new measures to restrict the admittance of foreign resources, and seeing if the large volume of foreign investment registered in January was merely that month's phenomenon.

In 1995, Brazil accumulated $14 billion in reserves, in cash concept (readily available resources), and closed the year with a balance of $50.4 billion. The source rejected market projections that this year another $20 billion could be accumulated. He said: "We will not allow this to happen. No way." The source believes the government is still very concerned over the impact of this on the monetary policy, as it may serve to increase the internal debt.

Gustavo Franco, Central Bank director for Foreign Affairs, believes it is difficult to determine an ideal level of foreign reserves for each country. Nevertheless, the $50.4 billion registered in December was deemed satisfactory. Insisting that January has not given the government cause for concern, Franco pointed out that "the Central Bank is always studying measures to restrict" the admittance of foreign capital. The government is always considering the possibility of increasing the Financial Operations Tax.

The Finance Ministry source added that all this attention is necessary to prevent the government from making mistakes; for example, if pressure is exerted on the economy now it could create a strong recession and force a reversal of the decision later.

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Brazil Article Views 'Growing' Military Ties With Israel

PY0802002896 Sao Paulo ISTOE in Portuguese 7 Feb 96 pp 30-31

[Article by Jayme Brener and Helio Contreiras: "The Middle East Market"]

[FBIS Translated Text] Al-salamu 'alaykum [may peace be upon you] is a well-known greeting in Arabic that became widely known to Brazilian diplomats, military officers, and materiel manufacturers in the 1970's and 1980's. At that time, Brazil's arms exports, especially to Iraq, totaled up to $700 million annually. Iraq was then selling oil to Brazil at special low prices. After Iraq was defeated in the Gulf War (1991), Brazilian military doctrine shifted sharply and moved increasingly closer to Israel. Israeli companies now have good chances of obtaining two major contracts: To refit Brazil's F-5 fighters and to provide air-to-air missiles. The Israeli state-owned aeronautical company IAI [Israel Aircraft Industries Ltd.] has been collecting information with an eye on possible participation in the Sivam [Amazon Region Surveillance System] project should the contract with the U.S. company Raytheon be canceled. In recent months, several senior Brazilian officers — among them Army Minister Zenildo de Lucena — visited Israel at the invitation of Israeli companies. They all returned to Brazil having learned at least one expression in Hebrew: Shalom Aleichem which means the same as al-salamu 'alaykum — may peace be with you.

Israeli Vice Defense Minister Ori Orr [title as published] said: "We have a great deal to offer to Brazil, especially in electronics and communications systems." Last year, the Brazilian Army paid $23 million for an electronic war device — used to disrupt enemy communications in case of war — which is manufactured by the Israeli company Tadiran. One Brazilian Army colonel said: "They have made much progress in that area. Just remember that Israeli operators were able to disrupt the movement of Syrian troops by electronically analyzing the slightest sign of excitement in the voices of enemy officers." Brigadier Jorge de Carvalho, a member of the Superior Military Court, said: "Israel is an interesting partner because, at least for the time being, it has not yet resorted to imposing embargoes on technological transfers as used by the developed countries." One of the most likely deals is the sale of a batch of air-to-air Python 3 missiles to equip the Brazilian F-5 fighters that will be refitted. The sale is expected to be implemented by 1997, when production of the Piranha air-to-air missile is also expected to start. The Israelis are betting more heavily on the $300-million project to modernize the F-5 planes. An IAI official told ISTOE: "The door is open, but the Brazilian Armed Forces are strategically linked with the United States and this could benefit the U.S. Northrop company in the bid."

Until the early 1990's, Brazil's ties with Arab countries like Iraq and Libya prevented it from maintaining closer official ties with Israel. An exception occurred in 1982 when the IAI jubilantly celebrated the sale to Brazil of seven second-hand H1H helicopters manufactured in the United States, but improved in Israel. A while later, however, pressure exerted by Brazilian materiel manufacturers — whose best clients were Arabs — provoked the suspension of a $50 million contract, which had been signed earlier, to modernize some Brazilian Sherman tanks. Another deal that was quite likely to materialize — the purchase of Israeli Gabriel sea-to-sea missiles — was also put on hold.

Although trade on military items between the two countries had not taken off officially, it was being done behind the screens at that time. One arms dealer said: "In the 1980's, a U.S. company imported a large number of 155-mm high Israeli-made grenades. To this end, they presented letters from the Brazilian Army expressing interest in the product. As Brazil did not need the product to be of a specific origin, the importer brought South Korean grenades to Brazil, while the Israeli grenades, which were considered to be better quality, were negotiated on the black market and ultimately fell into the hands of the Iranian Government, an avowed enemy of the Jewish state." It has also been reported that several Israeli-made parts — among them radar equipment and cannon parts — have been incorporated into the Italian-Brazilian AMX fighter plane project. To ensure that Brazil's Arab clients were not antagonized, those parts were brought into Brazil in the name of third countries.

Things started to change since 1985-1986, when Brazilian-Iraqi cooperation was beginning to collapse. At that time, the Army bought Israeli-made night vision sights, helmets, and bulletproof vests. Today, some 120-mm mortars brought from the Middle East are being used by Brazilian marines. In a survey conducted two years ago, Brazilian marines chose Israeli-made Galil rifles as one of their two most preferred weapons. It came second only to the U.S.-made M-16 rifle. An Israeli company is participating in a bid to supply radio equipment to the Army; and another company is attempting to sell pilot health monitoring equipment to the Air Force. For instance, if the fighter pilot left home upset after fighting with his son, the monitoring equipment will check his reactions and may suggest he be grounded until his functions return to normal. The Federal Police have paid $100,000 for 1,200 spray kits to detect marijuana, cocaine, and heroin. Proof of the

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closer ties existing today between the two countries is that their representatives are about to conclude an agreement to set up the first air link linking Rio de Janeiro, Sao Paulo, and Tel Aviv.

The Army High Command will probably analyze the growing cooperation with Israel at a meeting scheduled for 14 February. General Luciano Casales, military commander of Planalto, said: "We are greatly interested because Israeli materiel is top of the line and their Army is excellent." Some members of the High Command are excited about the prospect of Israeli cooperation. A general said: "They may be interested in participating in our materiel industry."

Brazil's Social Security Reform Agreement Viewed

PY0702135496 Rio de Janeiro Rede Globo Television in Portuguese 0900 GMT 7 Feb 96

[FBIS Translated Excerpt] Finally, the social security reform will be voted on today in the Chamber of Deputies Special Committee. Yesterday was a tense day in Brasilia. Demonstrators kicked the car of CUT [Sole Workers Center] President Vicente Paulo da Silva, or Vicentinho. The government yesterday yielded in the negotiations to please the union leaders.

It was a day of meetings among union leaders, ministers, and congressmen which ended in an agreement considered historic. At least the photograph is historic. This agreement, however, does not have the support of the PT [Workers Party] or leftist congressmen, much less the radical wing of the CUT. This is why yesterday was a day of distress and embarrassment for Vicentinho, who was called traitor and political henchman. Demonstrators even kicked his car. [passage omitted]

The atmosphere, however, was calmer in the Chamber of Deputies Committee. The congressmen spoke a lot as the final report drafted by Deputy Euler Ribeiro, rapporteur of the social security reform, was read aloud.

The following points were agreed upon among the union leaders, the government, and Congress:

The special retirement system for university professors has been eliminated, but it will remain valid for primary and high school teachers. This means that women may retire with 25 years of seniority, and men with 30 years.

The proportional retirement system for both private and public employees will remain as it is for five years and then it will be discussed again.

The minimum retirement age remains unchanged during the transition period until a new social security system is implemented: 50 years of age for women, and 55 years for men.

A judicial or administrative document will be sufficient proof to claim retirement.

After Deputy Ribeiro's report was read, the congressmen decided to postpone the voting session. The opposition continues to take a position against the reform.

[Begin recording] [PT Deputy Paulo Paim; identified by screen caption] The PT will vote against this report and it will present many amendments with the purpose of safeguarding workers rights from this bill.

[Deputy Euler Ribeiro; identified by caption] My report will certainly be approved by the majority of the votes. [end recording]

The special committee will vote on the general bill today. Afterward, it must vote on the separate points. There were 172 amendment proposals; however, with the latest changes to the bill, some amendments were dropped and new ones will be created. The voting session will then continue until 9 February, when the CUT must again meet with the government to negotiate.

The negotiations will continue until next week, when the bill will arrive in the Chamber of Deputies plenary. There it will be voted on by all the deputies.

Next week President Fernando Henrique Cardoso will send to Congress a bill creating a complementary retirement fund. The government has given up the idea of creating a special savings account complementary for retirement. The complementary fund will consist of an investment fund with a minimum withdrawal term of 10 years.

We are now speaking with CUT President Vicentinho. [passage omitted]

[Begin Vicentinho recording] We have a serious problem. yesterday we read Deputy Euler Ribeiro's final report. Unfortunately, it does not reflect our negotiations. Many points we agreed to are placing the workers rights at risk. This is why — I even said this last night to the labor minister — I will speak with the president of the Republic today to learn whether these negotiations are serious, whether the country is being told lies or the truth.

One of the most important things for us is that when we negotiate seriously, things must be put on paper as agreed upon. The report does not reflect the negotiations, it places the workers' rights at risk, the end of privileges is not guaranteed, the issue of retirement based on years of contribution is not very clear, a gap has been opened allowing social security funds to be used for purposes other than for pensions.... [passage omitted]

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The way it is written now, it is not possible. I want to see our agreement written on paper. We are not clowns. [passage omitted]

I want to believe that the report was a mistake by some adviser because if things are not written as we had agreed upon during the negotiations, it means that someone is lying to society, and we will denounce him. [passage omitted]

I will speak with the president of the Republic today to learn whether the negotiations are serious or if all this is fake. Depending on my talk with him, the voting session could be delayed; for it is also possible a mistake was make, and we must talk about and correct it. [end recording]

Brazil's Funai President Comments on Indigenous Lands

PY0602154296 Sao Paulo FOLHA DE SAO PAULO in Portuguese 1 Feb 96 Section 1 p 9

[FBIS Translated Text] Marcio Santilli, president of Funai [National Indian Foundation], said on 31 January that President Fernando Henrique Cardoso "is not crazy enough to go around reducing the size of indigenous reservations."

Santilli thus tried to answer — during his report before the Chamber of Deputies Committe for the Defense of Consumers, Minority Groups, and the Environment — criticism from deputies who oppose Decree 1775, which was published on 8 January.

According to Santilli, President Cardoso has published a new decree to prevent Decree 22, dated 1992, from being deemed unconstitutional by the courts. There was such risk, he explained, because the previous decree did not ensure those who felt harmed by indigenous land demarcation established by Decree 22 the right to contest.

"If indigenous areas are reduced as a result of this new decree, however, the government will have to face strong international repercussion," he added.

Santilli said that he has no intention of leaving the Funai presidency, and he defended Justice Minister Nelson Jobim, who wrote the new decree. He added that Jobim has written letters to the governors with a list of the indigenous areas that can be contested in each state.

According to the Funai president, "the minister sent the letters in response to verbal requests from the governors who had phoned him asking for details of the decree."

One of the letters was sent to the governor of Para State. Before being appointed justice minister, Jobim was hired by the Para State government to rule on the constitutionality of the demarcation of indigenous land in the state.

FOLHA DE SAO PAULO has revealed that Jobim sent the letter to the Para governor two days after Decree 1775 was published. In the letter, Jobim enclosed a list of 14 areas that can be contested. Jobim, himself, will have to decide whether contesting these demarcations is applicable.

Santilli has asserted that the entities that defend the indigenous peoples' rights wanted to "canonize" Decree 22. According to him, this is wrong because the former decree delayed the establishment of indigenous areas, as in the case of Raposa do Sol Mountain area (Roraima State), which has been awaiting a ruling by the minister for three years.

"With the new decree, we will have strict rules with which to solve all the pending contestations: Thirty days for Funai to give its answer and 30 days for the justice minister to give his final position on the issue," Santilli said.

Brazilian Article Views Landless Movement's Leader

PY0602192596 Rio de Janeiro JORNAL DO BRASIL in Portuguese 4 Feb 96 p 8

[Article by Vasconcelos Quadros]

[FBIS Translated Text] Sao Paulo — The main leader of the Landless People's Movement [MST], who has been giving President Fernando Henrique Cardoso more headaches than anyone else, is a discreet man. He does not show off in front of the spotlights, but is the brain defining the strategy for operations that have been affecting the entire country. His name is Joao Pedro Stedile, 42, son of Italian immigrants who settled in the Rio Grande do Sul State mountains. He was born in the town of Lagoa Vermelha, graduated in economics from the Pontifical Catholic University of Rio Grande do Sul and in agrarian economy from the University of Mexico. He is the one who coordinates, organizes, and discreetly commands from behind the scenes the army of hundreds of people listed in the MST files. MST is the acronym written on the red flag that waves in 600 encampments of black plastic tents spread countrywide.

Intellectual

"Stedile is MST's soul. He is the militant, the intellectual, and, currently, the most important figure in the fight for land in Brazil," geographer Bernardo Mancano Fernandes, professor of Sao Paulo State University (Unesp) said. Fernandes is the author of the academic thesis "Specialization and Territorialization of the Fight for the

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Land: Establishment of the MST in Sao Paulo State," in which he analyzes the origin of the movement and the actions being conducted at the Pontal de Paranapanema. It was Stedile, for example, who planned to transform the region into a showcase of the agrarian reform. At the beginning of the 1990's he found out that the triangle comprised of the states of Sao Paulo, Parana, and Mato Grosso do Sul has nearly one million hectares of unoccupied government land — something like 10,000 square kms, or an area roughly twice the size of the Federal District. This land was in the hands of squatters who, sooner or later, would have to settle accounts with the Sao Paulo Government.

Stedile decided to centralize in the area most of the MST actions and summoned for the task two important leaders: Gilmar Mauro, a man who had been settled in Cascavel and stood out in the invasions carried out in the western region of Parana State, and Jose Rainha, Jr., the leader who had awoken the wrath of Espirito Santo farmers and policemen, and who has escaped from the police and is currently at large. In a little more than two years, the two leaders placed more than 2,200 families inside the so-called 11th Perimeter — an area of 66,000 hectares. The uproar has already reduced the value of the land, frightened the farmers, and opened the path for the state and federal governments to transform the region in a family- agricultural-work project for 25,000 small properties — a sort of MST Republic or, as Stedile himself says, "the Achilles' heel of large landowners."

Rainha is a leader of masses and well-known, but the movement rules are inspired and planned by Stedile. Whenever he talks about his soccer team, Porto Alegre's Gremio, Stedile has a good sense of humor and says: "Is there anything worse than being a colorado (Internacional soccer team fan) and a landowner?" When he tells the masses that the government and the rural elite will not give in without pressure, however, he is radical and says: "s..... bourgeoiserie," and "s.o.b. of a government." Nevertheless, when he talks to government officials, he is moderate and a good negotiator. Sao Paulo Justice Secretary Belisario dos Santos, a lawyer who knows social movements profoundly and makes a point of drawing a line between the strategist and the rough leader who comes out from the movement files and only acts in a contesting manner, says, in an impartial way: "He has good sense, is cultured, has solid training, and knows well what he wants. Stedile is important even to establish an advanced level of relations between the MST and the government."

Books

All the actions planned in the fight for the land gravitate around Stedile. He goes everywhere in the country to acompany the settling of the people, suggests the best moment to hold talks with the government and, at the same time, is the one who often decides where to set up a simple encampment of protestors. He rarely shows up at news conferences, but supplies the intellectual fuel that feeds the bonfire of the fight. He is the author of the books "Settlements — An Economic Answer to the Agrarian Reform," and "The Fight for the Land in Brazil." The latter has been published in Spanish and the German version is being printed. He wrote this book together with Friar Sergio Gorgens, of the Franciscan Order. He also conceived a book — "The Agrarian Issue Today" — and has just finished writing "Controversies About the Agrarian Reform," which is a didactic publication printed by Editora Atual. It will be distributed by the Education Ministry to second grade students.

Stedile is a discreet strategist, but he also knows that he is still the target of the spies who plague the intelligence organizations and disseminate news about foreign guerrilla infiltration into the movement. Stedile's name appears as the most important one in reports by the Strategic Affairs Secretariat, the Federal Police, and the police of different states. One of Stedile's friends says with exaggeration: "If Brazil again had an authoritarian regime, he would be the first one to be forced to leave the country." Stedile is the most cultured and better trained leader. "He is my agriculture minister," Father Arnildo Fritzen, Ronda Alta (Rio Grande do Sul) parish priest, says.

Daily on Brazil 'Power Struggle' With Landless People

PY0602161396 Rio de Janeiro JORNAL DO BRASIL in Portuguese 4 Feb 96 p 12

[Editorial: "Announced Conflicts"]

[FBIS Translated Text] One day after President Fernando Henrique Cardoso ordered the suspension of the measures that might benefit landless people and the small farmers who are conducting land occupation operations on farms and government properties, the MST [Landless People's Movement] coordinator announced that he will continue to act as always because "the agrarian reform in the country will only become a reality through pressure." Thus, the power struggle between the landless people and the government began anew. The landless people have chosen their arena of preference, which consists of attempting to win every battle through shouts and violent ways of exerting pressure.

Cardoso, however, was very clear in what he said at Planalto Palace before ministers, senators, and deputies:

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"I will no longer tolerate these land occupation operations. Democracy is one thing and anarchy another." This is where the movement's nearly 20-year trajectory is leading it. As it appeared in Brazil, although illegal and underground, the movement has an official name (Landless People's Movement) and an acronym (MST).

Benefiting from the government's benevolent attitude, which is inversely proportional to measures adopted in order to implement the hypothetical agrarian reform, a reform that has been sung in prose and verse, the landless people are now encamped in 91 areas of the national territory and total 16,700 families. Needless to say, this army does not act spontaneously. On the contrary, it is manipulated from behind the screens and has assumed gigantic proportions. The movement exhibits its martyrs and victims from across barricades.

It is a paradox that, after having obtained so many victories, the rhetoric used by the movement leaders, who are concocting increasingly more ambitious claims. These leaders are like a machine gun that spits groundless criticism under the excuse that the government has done nothing so far. Actually, 7.6 million hectares have been expropriated in the last 10 years for the use of the landless people. This area represents one and a half times the territory of Rio de Janeiro State. In 15 years, 131,000 families have been settled. Just for the sake of comparison, two states the size of Alagoas can fit in the area that has been handed to the landless people. (Former President Fernando Collor gave a territory similar in size to Portugal to the Ianomami Indians, all at once.)

The landless people's phenomenon started in Brazil at the end of the 1970's. It was stimulated by the progressive faction of the Catholic Church and the movement moved closer to the Sole Workers Center. Later on, it spread to all states of the federation. The movement's resources also come from various sources. The Catholic Church always grants them a room to install their offices. Former landless people, who have already been settled, contribute to the movement with a certain percentage of the official loans they receive. The Agriculture Ministry supplied 5 million reals to the movement last year. The families settled in Parana State send the landless people bags full of corn. The families settled in Espirito Santo State send them coffee. Some urban labor unions contribute with one day from their salaries. Sao Paulo metalworkers lend them cars. Nongovernmental organizations send them moeny. The EU finances projects. The Belgian Government has provided a nonreimbursable fund as financing for the purchase of rice-packing machinery to the families that have been settled in Parana.

Summarizing, the extensive network hidden behind the movement is becoming increasingly more visible. It has been channeling the resources and granting the movement the force that allows it to finally challenge the government on all fronts [preceding word in English]. Whenever it proves necessary, the MST is dialectic. In the first years after it appeared in Rio Grande do Sul, the movement proposed denouncing the country's agrarian structure and occupied only large properties. The system did not work out. Police repression, the farmers' reaction, and the scant political support received caused the movement to change its target. Currently, the landless people occupy public areas and force the state and federal officials to negotiate their settlement. In this phase, the movement actions cease being illegal and become regularized. The MST has elected five federal deputies, among them Adao Pretto, who, in front of President Cardoso, acknowledged that "the goverment has been doing positive things" and was then challenged by the president to repeat these words in public.

The occupations follow a schedule prepared by one of the computers installed in the MST headquarters in Sao Paulo, and fit — like a glove — public areas countrywide. To those who still have doubts regarding the type of land occupation operations being conducted by the movement, MST leader Jose Rainha has reported: "We do not preach an armed fight, but we do not discard the possibility of resorting to that type of fight." The landless people exhibit their martyrs whenever they think it is necessary to do so, but there was consternation among the public when a landless man beheaded a military policeman (brigadino) in downtown Porto Alegre.

Rainha, who is currently at large, is an example of the professionalization of the movement. In 1987, he was in Rio Grande do Norte. Three years later, he was seen going from Espirito Santo to Ceara. In 1992, he divided his time between Parana and Sao Paulo. In all of these places, he has had one only duty: To command land occupations. He has led occupations in 19 states and lives on an "allowance" paid him by the movement. He is, therefore, a professional leader of land occupations, and has to settle accounts with the law.

Conflicts between homesteaders and the police have been scheduled for Para, Pernambuco, Piaui, Sao Paulo, and some areas of Rondonia State, where, last August, 11 people died in a conflict over land ownership in Corumbiara. As a matter of fact, the landless people are organized in all states of the country except Amazonas and Acre. Judging by their own estimates, there are 12 million landless people in the country and at least 250 million hectares of vacant public land. This shows that a great deal of conflict will still take place in the country.

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in accordance with the landless people's style, if the government does not put a stop to the anarchy that has been taking place in the countryside. It will be either democracy or anarchy, as President Cardoso has said.

Brazil: Correction to Brazilian Editorial Views Debt

PY2901201296

The following correction pertains to the item headlined "Brazilian Editorial Views Domestic Debt Problem," published in the 2 February Latin America DAILY REPORT, pages 26-27:

Page 27, column one, first paragraph, last sentence make read: ...amounts of money, by the Treasury. [new paragraph]

Finance Ministry officials... (changing "to" to "by")

Brazil: Correction to Brazilian Article Views Efforts

PY0602225696

The following correction pertains to the item headlined "Brazilian Article Views Efforts for Sivam Approval," published in the 5 February Latin America DAILY REPORT, pages 34-35:

Page 34, column one, last paragraph, sentence one make read: ...Surveillance System (Sivam), the Senate will also be... (changing "he" to "the Senate").

Page 34, column two, fifth full paragraph, sentence three make read: ...to calm the senator down, the government-supporting parties... (changing "senators'" to "senator")

Chile

Chilean Minister on Ties With Peru, El Chinchorro

PY0702202896 Madrid EFE in Spanish 2052 GMT 6 Feb 96

[FBIS Translated Excerpt] Santiago, 6 Feb (EFE) — Foreign Minister Jose Miguel Insulza said today that relations with Peru are in no way linked to the controversy created by the use of a property known as El Chinchorro in the northern part of the country.

"I don't want to link the issue related to El Chinchorro with international affairs," said Insulza in answer to a question about the decision of the Peruvian Government, which owns that property in Chilean territory, to build a fence around it. [passage omitted]

Insulza pointed out that in this case "it is an issue involving private property." This is how Insulza reiterated the Chilean Government position which always considered this to be a problem between the local municipality and the private owner with no effect on bilateral relations.

Insulza recalled that "many times suggestions were made to Peru to do something in that property, to fence it or maintain it."

El Chinchorro covers an area of 145,000 square meters and, according to information obtained in Santiago, the enlargement of a segment of the Panamericana highway covers 6,000 square meters.

Chile Denies Intelligence Work Regarding Prats Case

PY0702184096 Santiago LA TERCERA DE LA HORA in Spanish 6 Feb 96 p 4

[Report by Claudia Cento and Lucia Zamora]

[FBIS Translated Text] Jose Joaquin Brunner, minister secretary general of government, has described the information published on 4 February in the Argentine daily CLARIN as "absolutely false." CLARIN reported that the Chilean Government allegedly faced difficulties in conducting intelligence work on the Prats case.

Brunner said: "That is absolutely false. The government is not, nor does it need to be, conducting any sort of intelligence work."

He added that in cases like this "there are legal procedures that have their own rules and development pace. The government does not need any special effort to obtain information aside from that resulting from the case itself."

CLARIN said there was "fear" and "uncertainty" within the Chilean Government regarding the arrest in Buenos Aires of Enrique Arancibia Clavel, former agent of the dismantled National Intelligence Directorate (DINA). The Argentine daily states that this promoted a series of "secret negotiations" between Chilean Ambassador Eduardo Rodriguez and high-ranking Argentine Government officials.

CLARIN also refers to "certain difficulties facing the Chilean Government in conducting intelligence work," which forced it into "a series of informal negotiations and enquiries to determine if Arancibia can deny any responsibility in the case."

Minister Brunner explained that a new team working within the Justice Ministry will follow up strictly legal aspects of the case.

Foreign Minister Jose Miguel Insulza said he was taken by surprise by the report published by CLARIN on Sunday.

He asserted: "It is obvious that contacts may be made privately, but there is nothing mysterious about that."

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He recalled that a few days ago the Chilean Government decided to be part of the proceedings, wanting to learn about the developments — which is only normal. "That is what the attorney, and the Prats' family attorney, are doing."

He said the developments in Buenos Aires justified the return of the ambassador to Argentina, who at that time was on vacation.

Late General Prats' daughter, Sofia Prats, and her attorney Pamela Pereira yesterday asked acting Justice Minister Eduardo Jara how the Chilean state will be party to the Prats case in Argentina.

Attorney Pereira said she hoped the government will participate "enthusiastically." She added: "We believe the executive branch should learn the background to the case and then decide what role it will play from the juridical viewpoint."

She said: "We hope the Chilean Government will accept the State Defense Council's suggestion about receiving legal advice."

Chile's National Renewal Head on Reforms, Intentions

PY0702180096 Santiago LA TERCERA DE LA HORA in Spanish 4 Feb 96 p 8

[Interview with RN Party Chairman Andres Allamand by Juan Andres Guzman; place and date not given]

[FBIS Translated Text] [Guzman] What sort of strange political deal is RN [National Renewal] trying to make?

[Allamand] None.

[Guzman] Does this mean to say it is risking the loss of seven senators for nothing?

[Allamand] Our gains are in promoting constitutional reforms which we believe are necessary for the country.

[Guzman] Since Machiavelli's time no one has believed in good political intentions.

[Allamand] There are no good political intentions. We could even say we have selfish intentions. As in any stable democracy, we do not want the Constitution to continue being the focus of the political debate. But we also pursue essential objectives for our sector. I'll give you an example: Step up supervision. Corruption is one of the growing problems the country is facing. If there is no adequate supervisory power, we will not be able to eliminate this scourge.

[Guzman] Excuse me, but the conflict has to do with the designated senators, the changes in the Constitutional Court (TC), and the National Security Council (Cosena).

[Allamand] The problem is that those who oppose the reforms have managed to eliminate, as if it did not exist, the proposal to step up the supervisory power. But let us talk about those other reforms. The TC is a key institution of the system because it is the organization that prevents a majority in Congress from being able to violate the Constitution. Four of the seven TC members will be replaced on 11 March 1997. The current system to elect the four new senators guarantees the current president great influence in this decision. Therefore, not changing the TC's membership could, in the short term, cause a negative variation in that court. Regarding the senators, if we do not make the changes, the president will also have great decisionmaking power in the appointment of the new institutional senators and this would give the Coalition of Parties for Democracy (CPPD) a majority in the political system for the next 10 years.

[Guzman] That is curious....

[Allamand] Why?

[Guzman] Because this administration is promoting the reforms as a result of the fact that the current system guarantees the opposition great decisionmaking power.

[Allamand] Well, everything looks wrong, but one mustn't be surprised.

[Guzman] Let us look at it from another angle. You said that rather than steering the ship out of the storm it has to be rescued. Who sailed the ship into the storm?

[Allamand] The group of legislators who refuse to fulfill their commitments and the center-rightist sectors who strongly oppose these reforms due to their customary shortsightedness.

[Guzman] But everyone always knew that the constitutional reforms represented a stormy area for the RN. Despite that, you steered this ship in that direction. Why?

[Allamand] Wait a minute. I have already said we were running out of time. Moreover, the leaders are not prepared to sail in still waters. We are prepared to push matters, to prevent negative developments.

[Guzman] This means you were aware that a conflict of this magnitude would unleash....

[Allamand] I was aware it was going to be a difficult issue and that the "de facto" powers would be against us. I was wrong to believe that, once the Temuco General Council meeting adopted a decision, the RN legislators would observe it. Look, historically speaking the center-right has always been politically clumsy and made serious institutional mistakes. In 1970, months before the elections that launched [Salvador] Allende into La

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Moneda, leftist legislators promoted a constitutional reform bill for a run off election in Chile. Who opposed this bill? The shortsighted senators who, like now, miscalculated. At that time they swore Alessandri was going to obtain an absolute majority and, therefore, rejected a constitutional reform that could have changed the history of Chile. The same thing happens today.

[Guzman] What a price Sergi Onofre Jarpa is charging you now.

[Allamand] Jarpa is also to blame for the monumental mistake that brought Allende to the presidency, together with the same of group of "independent" personalities who still intend to control politics from the back room.

[Guzman] Is it politically convenient for the center-right to continue to promote the reforms?

[Allamand] We cannot go back on our steps.

[Guzman] The disobedient senators maintain the same thing.

[Allamand] So it seems.

[Guzman] This means the RN's division is imminent.

[Allamand] The chances of a division do not exist. If worse comes to worse, a group will step to one side, but it will not involve a significant group of leaders.

[Guzman] It seems as if the exit of senators weren't important.

[Allamand] It is, but it isn't something to be exaggerated. Some may even say that it is better to have a few senators who work as a team than many who are a permanent source of conflict. But the important moment is when the time to vote in the Senate comes. Until then I will continue to search for a formula to solve the constitutional problem and will safeguard the party's unity.

[Guzman] One of the political deadlines we are approaching is your 40th birthday.

[Allamand] That is not a political deadline, it is my birthday.

[Guzman] What I mean is that "you are at an age to deserve" a presidency.

[Allamand] But that has nothing to do with what is going on within the RN.

[Guzman] Some people maintain that you will drag this conflict out until the end so that you will have an RN that will suit you for the presidency.

[Allamand] That is not so. I have always revealed my desire to unite and have never worked in a manner that discriminates against those who do not share my viewpoints.

[Guzman] It must just be a coincidence, then, that the aforementioned senators are the ones who most oppose your running for the presidency.

[Allamand] Without sounding as if I want to avoid the subject, I think that to talk about presidential candidacies four years before the elections is absurd.

[Guzman] I think that you are trying to avoid the subject.

[Allamand] The thing is that I do not believe it is reasonable to judge the current conflict from the viewpoint of a candidacy for the presidency. These subjects existed when the RN was established and nobody was thinking about a presidential candidacy.

[Guzman] What will happen if the senators vote against the reforms and remain in their posts?

[Allamand] We will see about that in March. The current situation makes RN completely ungovernable. It prevents us from having a clear message for public opinion, and this is the situation that may prevail after March.

[Guzman] What are you going to do if they vote against the reforms?

[Allamand] Summon a special general council meeting to decide on the party's future.

[Guzman] That could be like placing your head in the guillotine.

[Allamand] The General Council knows that my resignation is always at its disposal. I do not think they are going to ask for my head, but rather the heads of others.

Chile: Correction to Coal Enterprise Autonomy

PY2901202296

The following correction pertains to the item headlined "Chile's Coal Enterprise: Financial Autonomy by 1998," published in the 2 February Latin America DAILY REPORT, page 41:

Column two, fourth full paragraph, last sentence, please make read...costs will drop from $220 to $120 per metric ton...(rewording)

Column two, fifth full paragraph, only sentence, please make read...production, worth 3.5 billion pesos, will become operational...(correcting currency from dollars to pesos)

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Colombia

Colombian President Asks House To Reopen Investigation

PA0802044796 Madrid EFE in Spanish 2302 GMT 7 Feb 96

[FBIS Translated Text] Santa Fe de Bogota, 7 Feb (EFE) — Today, Colombian President Ernesto Samper asked the House of Representatives to lift the confidentiality of the proceedings and reopen the investigation of the reported contribution of drug money to his presidential campaign. The investigation had been filed away by a legislative commission.

After drafting the bill at the presidential office, Samper sent it to the House requesting that the proceedings opened on him by the House of Representatives' Accusations Committee be made public.

In January, Samper called for a 15-day special congress session in order to solve the governability crisis provoked by reports of infiltration of Cali Cartel money into his electoral campaign in 1994, when Samper was Liberal Party candidate. Samper has asked the judges and journalists for "a period of reflection" so "the country can continue to advance in other fields that demand our attention and efforts" while the investigation is carried out.

In a letter sent, together with the bill, to House of Representatives President Rodrigo Rivera Salazar, Samper pointed out: "Guaranteeing the transparency of these proceedings doubtlessly constitutes a significant step forward in reinforcing the credibility of the legislative branch and the democratic acceptance of its decisions."

The Accusations Committee expects the Prosecutor General's Office to send evidence to begin trial proceedings against Samper, which are to be handled by the Senate.

Samper called attention to the media's probable excesses on reporting about the proceedings and said: "Recklessly casting doubts on the decision before anyone has assumed full responsibility does not at all help us find the solution to the crisis. I am sure the media will understand that, in view of this decision, their best contribution to a solution will be to lower the degree of drama that the information on the proceedings has been getting."

According to the Accusations Committee, Prosecutor General Alfonso Valdivieso on 13 February will hand over the evidence to begin the penal proceedings and a political trial against Samper.

Colombian Court President: Prosecutor Must File Charges

PA0802024796 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2330 GMT 7 Feb 96

[Report by Reynel Beleno Quiroz; from the "RCN Radio Events" newscast]

[FBIS Translated Text] The Constitutional Court President Jose Gregorio Hernandez Galindo has said that Prosecutor General Alfonso Valdivieso Sarmiento is obligated to present evidence against President Ernesto Samper, if he finds it.

[Begin Hernandez recording] If he finds sufficient, reliable evidence to file charges, the prosecutor general must proceed, the court has stated. [end recording]

The prosecutor general must qualify and determine the violations allegedly committed by the president.

Colombian Prosecutor: U.S. Pressed Government To Act

PA0802024496 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2330 GMT 7 Feb 96

[Report by Jesus Sarney Torres; from the "RCN Radio Events" newscast]

[FBIS Translated Text] Prosecutor General Alfonso Valdivieso has defended the work done by his office and accused high-level government officials of acting under U.S. pressures.

[Begin Valdivieso recording] As for the government, in my opinion, there have been government actions against drug trafficking, which have taken place as a result of the position — and why not say it — as a result of the pressures exerted by the U.S. Government.

As for the Prosecutor General's Office — I clearly say it here and I would say it in the United States — nothing of what we have done has been the product of our interest in getting the United States to have a favorable opinion of the performance of the Prosecutor General's Office. [end recording]

Valdivieso answered several questions raised by students from Cesar Arboleda University, where he lectured today.

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Colombian Ex-Minister Defends Social Spending Program

PA0502160996 Santa Fe de Bogota EL TIEMPO in Spanish 3 Feb 96

[Article by former Finance Minister Rudolf Hommes: "Social Fantasies" — received via Internet]

[FBIS Translated Text] The message by the former Liberal presidents fulfilled several purposes. First, it prevented the rapid demise of the government. It demolished the argument about "Gavirist" meddling in national politics, since the chief of that purported faction put himself at the other extreme from that chosen by his alleged followers — the signers of the 96 Agenda. And it put an end to the conceited official pretext that the current government is indispensable purportedly because it is the only one that has or has had a social policy.

Such claim is inaccurate. Since 1970, all the governments have had major social policies. Economic stability and social policies are the reason why distribution of income has considerably improved since 1978 and the quality of life indicators have gone up at an accelerated pace. All of this was achieved without paying the consequences that a Peron or an Alan Garcia paid. These are the antecedents that the social pact government does not want to recognize. This has been especially unfair and has hidden the achievements of the previous government, which it has described as neoliberal.

The Gaviria administration introduced a novel subsidy program to make the down payment of low-income housing, which during 1990 and 1991 noticeably contributed to the reactivation of construction and creation of jobs. It also expanded and gave national coverage to the National Rehabilitation Plan that is today known as the Solidarity Network, and created a fund in the presidency, now part of that same network, to handle the most urgent needs. In the Constituent Assembly, the government supported the transfer of large chunks of the central government revenues to the local governments so that they can implement social policies. The Samper administration opposes this. The previous government was willing allow the implementation of a rule that forces the budget to raise every year the social investment component of public spending and to allow the Constitution to protect the rights of Indians, the poor, and neediest groups, things that compel any government to adopt an active social policy.

In addition, it drafted the legislation that allows Colombia to develop a public health system without comparison in the hemisphere. It also pushed through the social security reform to give coverage to huge segments of the population that do not have this service and would have never had it under the current administration. According to the Fedesarrollo [Foundation for Higher Education and Development] Social Situation report, the social spending during the Gaviria administration went from 7.5 percent of the GDP in 1990 to almost 11 percent in 1994. In the past 25 years, no other administration has made a similar effort. Another major social achievement of the Gaviria administration was that it curbed unemployment, despite the structural changes that took place with the aperture. To end, a social policy of the previous government that goes generally unnoticed is that it forsook the deeply-rooted government practice of given money away to those who did not need it.

This government, besides to its highly efficient propaganda efforts, does not have much to show for it. With regard to the increase in social expenditures, nothing comparable to what the previous government achieved has been noticed yet. According to EL TIEMPO, in its edition of three Sundays ago, the Solidarity Network is an administrative disaster. It spends money but it does not reach the poor. The health plan that it inherited does not get off the ground. Unemployed climbed alarming levels because the government began to fight construction and services. The inflation rate has began to shoot up. The efficiency of spending, which is normally poor, has suffered the impact of a heightened influence peddling

What is doing well is favors. The past tax reform included very favorable provisions for private sectors close to the government. Some of these reforms could mean savings of over 20 billion pesos to a single beneficiary — 10 times or more than what he could have invested in the presidential campaign. The IFI [Industrial Development Institute] has become into a giveaway for some economic groups, and instead of promoting competition, the control agencies frighten foreign investors who want to invest in monopolistic sectors. Still pending are the allocations for the television and national long distance channels. In other words, the social leap is not yet a hop. It is a social fantasy that is not based on reality. And does the government still believe that the poor will buy that? Do not think they are such morons.

Colombian Communique Signed With Venezuelan Minister

PA0802043496 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2330 GMT 7 Feb 96

[Report by Antonio Jose Caballero in Port-au-Prince; from the "RCN Radio Events" newscast]

[FBIS Translated Text] Meeting at Port-au-Prince on the occasion of the inauguration of new Haitian Presi-

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dent Rene Preval, Colombian Foreign Minister Rodrigo Pardo and Venezuelan Foreign Minister Miguel Angel Burelli Rivas reviewed various bilateral issues and agreed to issue the following communique:

The two sides stated that relations with the other are a fundamental part of their policies. They agreed that only cooperation, integration, dialogue, and direct negotiation guarantee understanding. They shared the view that of all the pending issues, border security, which has been disrupted by the aggressions of insurgents and various forms of crime, is a priority at a time when coordinated action by the Armed Forces of the two nations must be strictly undertaken within their respective territories to ensure peaceful coexistence along the border.

They considered that the difficulties that have arisen lately between the two countries are not due to disagreement between the policies of the two governments but to the action of a common enemy, of which the guerrillas, drug trafficking, and various forms of crime are a part. They indicated it is urgent that signed agreements be implemented, especially those referring to the effective presence of military and police forces on both sides of the border.

The Colombian and Venezuelan foreign ministers, therefore, agreed to both tour this month the border points that were the sites of recent incidents. They also agreed to instruct the border affairs commissions to set the date for a meeting that will be held in Cucuta. In addition to the foreign ministers, the meeting will also be attended by the defense ministers, the border region governors, business representatives, a coordinator of the media from each country, and the border affairs commissions.

They reiterated their interest in holding a March meeting of the technical committee on pending issues involving the demarcation of the border. They also praised the Venezuelan Central Bank's decision to reestablish the existing mechanism for orders of payment between the two countries to make more fluid the very active and productive trade process between Colombia and Venezuela.

That is the joint communique issued in Port-au-Prince today by the Colombian and Venezuelan foreign ministers. They are now returning to their respective capitals.

Colombian Minister Views Border Problems With Venezuela

PA0602041496 Madrid EFE in Spanish 2030 GMT 4 Feb 96

[FBIS Translated Text] Santa Fe de Bogota, 4 Feb (EFE) — Colombian Foreign Minister Rodrigo Pardo Garcia-Pena said today that the existing problems in relations between his country and Venezuela "are the Venezuelan Government's belief that the border should not be an obstacle to pursue criminals."

According to local radio stations, the minister said the tensions that emerged in 1995 due to several border incidents "have been overcome, but we have not yet resolved the real problems behind them."

The in-depth problem, according to Pardo, "is the Venezuelan Government's belief that the border should not be an obstacle to pursue criminals, which generates a difficult problem to handle."

The foreign minister said, "We are facing a problem that is a little different from the ones that have traditionally adversely affected our relations, the presence of guerrillas, drug trafficking, and the various criminal groups" at the common 2,200-km border.

The border incidents of 1995 began in January when a Colombian guerrilla group attacked a Venezuelan border post killing eight Venezuelan soldiers.

Several Venezuelan National Guard incursions into Colombian territory have been reported. In one of these incursions — which took place last September — five Colombian peasants were arrested after being accused of working in Venezuelan poppy plantations, and a young man showed up dead and tortured.

The latest incident took place earlier this year near the Arauca River, the natural border between the two countries. A child was wounded when Venezuelan National Guard members shot at a boat that was rescuing from the waters a Colombian citizen who had been arrested by the authorities moments earlier and was accused of contraband.

Pardo said that even though the new problems have not caused "a conflict between the two countries, we disagree over the methods being used to fight the various forms of crime."

The criminals use the border as a "refuge" to avoid the public order forces of both countries, the foreign minister said.

He said, however, that "as for the Venezuelan belief that it is possible to cross the border, we say no, because the law, our Constitution, and the international treaties signed by Colombia prohibit it."

"This difference of opinion" — Pardo said — "forces us to fine- tune the work done by the (Colombian) Armed Forces and by the (Venezuelan) National Guard; each one from his own country."

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Colombian Editorial Addresses U.S. Certification Issues

PA0602184796 Santa Fe de Bogota EL TIEMPO in Spanish 5 Feb 96

[Editorial by Fernando Cepeda Ulloa — received via Internet]

[FBIS Translated Text] Has Colombia kept the commitments it publicly made in its struggle against the mafioso phenomenon? If one reads the text of the 1994 certification for reasons of national interest (and I did yesterday), there is no doubt that the efforts in 1995 were excellent not only with regard to the disbanding of the criminal organizations, eradication, and the actions to control the laundering of dollars but also with regard to something that is perhaps less colorful but undoubtedly much more significant.

In 1995, thanks to the actions of the prosecutor general and the Supreme Court of Justice, the capture of the Cali Cartel, and the continuous disclosures about the relations of the politicians, society, and the economy with the mafioso phenomenon, we have reached what Prosecutor General Valdivieso has termed the fifth phase, namely that of rejection. He believes that there is a different servility, that there is a capability to react, and that that is what we are seeing. In his own words: Greater solidarity is being achieved. When Luis Carlos Galan warned us about the dangers we were facing, "the great majority of the Colombians were in another place." But recess is over.

"This is the right time for Colombia to halt the phenomenon," I continue quoting the prosecutor general. (ESTRATEGIA magazine p.14, No.227). We are in the phase of social rejection of the phenomenon of drugs in all its forms. Finally, there is solid support from public opinion in favor of an "operation clean hands" in all sectors. The continuation of this rejection depends on many factors, including international cooperation to back these and other tasks and to control consumption, laundering of dollars, distribution, etc.

The big question is: Does decertification help consolidate these formidable efforts and promote the dynamics in the change of attitude that is already evident? The question is: Does Colombia, despite the spectacular change that has cornered or is cornering the owners and beneficiaries of this criminal business, deserve to be exposed to international public ridicule and to reduce its economic and trade potentials?

In more simple terms, can Colombia be treated as a narcocracy? Wouldn't that mean contradicting an obvious reality, in other words, that Colombia is a democracy, various sectors of which have been infiltrated by the mafioso phenomenon? What then is the difference? A narcocracy does not react; it fully buckles to the mafioso phenomenon. On the contrary, an infiltrated democracy struggles, reacts, condemns, denounces, feels indignation, seeks corrective measures, risks everything. Now, more than ever, society is rising up against this phenomenon. The prosecutor general's analysis is correct. It seems absurd to satanize a society that behaves in this way.

More than ever before, a society united against the mafioso phenomenon is needed. To a great extent, the unity of that society and its effectiveness could depend on what the international community says in this regard. An unfair evaluation could divide a front that must be monolithic. In this area, and this is very clear, international cooperation is essential. Concretely, the sincere and mature alliance between the United States and Colombia is really strategic. Here and now.

It is possible that some people mistakenly believe this is the moment to humiliate Colombia, to turn it into a pariah. Reason is behind those who believe this is the opportunity to deal a death blow to the mafioso phenomenon. If work continues in the way that has been done until now, the results could be amazing. Any other analysis that does not fairly value the efforts of the state and society will be counterproductive.

The legal-political process we are undertaking should not be the object of any interference and much less should it be linked to results and behavior that must be examined with an eye to ensuring a successful outcome that, even though not precisely at the reach of the hand, is on the right course and has respectable dynamics.

Ambassador Lleras de la Fuente does well to set the example of struggling to defend Colombia's name above any other consideration. How easy it would have been for him to resign now. Will it be as easy to decertify so many efforts?

Colombian Editorial: Reasons for Optimism in Economy

PA0302035596 Santa Fe de Bogota EL TIEMPO in Spanish 2 Feb 96

[Editorial: "Outlook" — received via Internet]

[FBIS Translated Text] A meeting to discuss the short- and medium-term outlook for the economy, which was convened by Anif [National Association of Financial Institutions] and Fede[illegible]ollo [Education and Development Foundation], again confirmed how much the country has advanced in the use of economic forecasting techniques — and this is important — it also confirmed the stability and solidity of the Colombian economy.

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Amid an atmosphere of civilized expectation, a large group of representatives of various production and financial sectors listened to the finance minister and to directors and officials of the two promoters of the meeting.

The analysis was based on two basic assumptions. First, that the political crisis will be completely overcome in a few weeks, or at the most, in a few months. Second, the United States will certify the country's good conduct in the struggle against drug trafficking.

If this materializes — and we hope so — the current year will not turn out to be a banner year, but it would not be catastrophic either. If this does not happen, 1996 will be mediocre, and the country could run the risk of not receiving foreign resources required to finance the deficit of its balance of payments' current account starting in 1997, because of a change in Colombia's image in the eyes of financial institutions, investors, and foreign risk-rating agencies.

If those two assumptions do not prevail, the full force of the negative impact would be felt next year.

Based on this, it is foreseeable that economic growth this year will nevertheless be lower that that of the previous two years. The most recent Fedesarrollo forecast, which already reflects the uncertainty created by the political crisis, indicates a GDP growth of 3.8 percent compared to 5.3 percent reportedly registered in 1995. Meanwhile, inflation would reportedly be similar to last year's — 19.5 percent — and thus fail to meet the goal of the Bank of the Republic, but there would be a slow down in the increase in the price of rent and services, and this would in turn lower "basic" or "secular" inflation. Devaluation, which is the other key indicator for economic agents, would be around 14 percent during the calendar year. A consequence of the situation forecast by the technicians is a period of limitations with regard to the supply of liquidity and credit within the economy, and thus, of high real interest rates.

However, the medium-term outlook — for the next two years — is very encouraging. In 1997 and 1998 GDP growth will reportedly again be over 5 percent and even close to 6 percent in 1997, because of the recovery in investment levels of the recent past. Inflation will reportedly drop to 16 percent in 1998. The deficit in the balance of payment's current account, which will reportedly drop slightly in proportion to GDP in 1998, could be healthily financed while maintaining a more than satisfactory amount of international reserves.

In general terms, the diagnosis and forecast presented by the Finance Ministry and the directors of the two private economic research and analysis institutions were in agreement. They also basically agreed with an evaluation that IMF executive directors made during a 19 January meeting in Washington that was reported by the media. This should tranquilize Colombian businessmen, bankers, and investors.

Based on this, there are reasons to be somewhat optimistic about the future and to urge political leaders to ensure that prudence prevails in their decisions.

Ecuador

Brazilian Chief of Staff in Ecuador for Talks on Peru

PY0602230196 Quito Voz de Los Andes in Spanish 1700 GMT 6 Feb 96

[FBIS Translated Text] General Benedito Bezerra, chief of the Brazilian Armed Forces joint staff, arrived in Quito where he will meet with Ecuadoran Defense Minister Alfonso Alarcon and other Ecuadoran military chiefs. This information was disclosed by the Brazilian embassy in Quito.

According to information disclosed by the Brazilian military attache, Colonel Mauro Patricio Barroso, Bezerra will also hold working meetings with General Jorge Ortega, chief of the Ecuadoran Armed Forces joint staff, and Ecuadoran Army Commander General Paco Moncayo.

Bezerra is the first of five military commanders expected in Quito to attend a meeting on 10-11 February between the commanders of the Argentine, Brazilian, Chilean, and U.S. joint commands, that is, of the four so-called guarantor countries, as well as of Ecuador and Peru.

The military commanders of Brazil; General Mario Candido Diaz of Argentina; General Raul Julio Tapia of Chile; General Barry McCaffrey of the United States; General Jorge Ortega of Ecuador; and General Nicolas de Bari Hermoza of Peru have confirmed their presence at the mentioned meeting.

The purpose of the meeting is to make progress in the peace process between Peru and Ecuador. For the first time in more than 50 years the commanders will discuss their territorial differences.

The six commanders plan to visit the town of Patuca, the Ecuadoran center of military operations during the war with Peru, and the Peruvian military base Cahuide.

During 1995 the guarantor countries prevented an armed clash between Peruvian and Ecuadorans from becoming all-out war, due to a territorial dispute in Cenepa River valley in the Amazon.

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Ecuador: Daily Views Samper Case as Not 'Isolated'

96SM0080A Quito HOY in Spanish 30 Jan 96

[Editorial: "The Advance of Drug Trafficking" — received via Internet]

[FBIS Translated Text] Colombia's crisis with respect to the alleged financing by drug traffickers of the Ernesto Samper campaign is a wake-up call regarding the influence of traffickers in the politics and business of these countries, and of course also in the great industrialized nations that shelter the consumer market.

The Samper case cannot be considered an isolated event, drug trafficking penetrated Colombia as soon as a power element placed itself within its reach, and it seems that when it wishes to take revenge, it activates its connections, gathers accusers, and destroys anyone who gets in its way, like Samper, in whose administration the Cali cartel ended up behind bars.

In the Ecuadoran case, the extent of the growth of drug trafficking influence in politics is unknown, and has remained secret in other operations, such as financing drug shipments, as well as money laundering, about which very little has surfaced.

Despite this low profile and the impunity that may surround its operations, 42 percent of Ecuador's prison population is made up of persons involved in drug trafficking crimes, which proves that most criminal activity in this country revolves around drug trafficking, followed by 30 percent for crimes against property and 16 percent for crimes against persons.

Although not on the scale reached in Colombia, drug trafficking surely seeks to control areas of political and economic power in Ecuador, because of which it will be necessary to be alert during the electoral campaign that is beginning, and to insist on the need for transparency and information on electoral spending.

Ecuador: Daily Views Decision on 'Discretionary Funds'

96SM0089B Quito HOY in Spanish 31 Jan 96

[Editorial: "Names, Names, Names" — received via Internet]

[FBIS Translated Text] The decision of the president of the Supreme Court of Justice to disclose the names of those who received discretionary funds from the vice presidency of the republic follows the national outcry that wants to know the destination of these funds, which apparently were handled in an irregular manner, at least in part.

Under the judge's decision, the beneficiaries will have a period of eight days to show that the funds they received were used for the purpose of national security or the maintenance of public order, the appropriate purpose of discretionary funds, despite the fact that a classifier of expenses from the Comptroller's Office maintained that they may be used for any purpose, which would amount to spending public funds recklessly and without controls.

Judge Solorzano's foresight fulfills a moral imperative, but its content is controversial from a legal point of view, as the discretionary funds by their nature are secret, and it is up to the comptroller to determine independently the validity of their use.

Furthermore, the president of the republic issued a decree declaring himself custodian of the documents, which the judge has disregarded in order to include the audit reports in the court documents.

According to precedents on the subject, in the case of the murder of economist Abdon Calderon, when discretionary funds were used to commit a crime, the judge was able to disclose the contents of documents in order to prosecute and punish a crime.

Solorzano could allege laxity in the classification of the expenditures that broadened the use of discretionary funds without measure or limit, beyond their natural purpose; the handling of funds by office secretaries in private accounts, which is not appropriate for their purpose, the very doubtful review by the comptroller, all of which justifies his decision to reveal to the public view the legitimacy of the expenditures.

Ecuador: Businessmen Give Expectations for 1996

96SM0080C Quito EL COMERCIO in Spanish 19 Jan 96 p B1

[FBIS Translated Text] Businessmen do not agree among themselves nor with the government. Expectations for this year do not leave much room for optimism. The electric power shortage is a major problem.

The optimism voiced at the beginning of 1995 is not apparent at the beginning of this new year. The problems encountered, the three crises—politics, war, and energy—ended by undermining hopes of attaining growth, following a stabilization of the main macroeconomic factors.

According to the consensus judgment of the eight business sectors that took part in a panel discussion organized by the firm Deloitte & Touche, "1996 cannot be worse than 1995."

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But the anticipated recovery will have to be at a forced pace, as the previous year left marks difficult to erase in only 365 days.

Projections for this year are not very encouraging. Two principal concerns were expressed. The first, which, until investment becomes adequate, will depend on whether Saint Peter decides to open the spigot... The second is related to the model of stabilization imposed by the government since September 1992.

The business leaders called for a balance between the exchange rate—the system's nominal anchor—and interest rates, relatively uncontrolled so far. The financial system warned that interest rates will remain high and credit will not be able to grow to levels seen in past years.

On balance, private business leaders called for more long-term stabilization as the first requirement for the country's definitive recovery.

Agriculture: Three Actions

The agricultural sector has three basic concerns: credit, open markets, and stability.

Speaking for the sector, Juan Ribadeneira expressed the hope that the next government would provide medium- and long-term lines of credit. "Agriculture cannot work with short-term credit." He also suggested that, when commercial agreements are reached, reciprocity be obtained for the entry of Ecuadoran products and for the establishment of standards that allow equitable competition, which is currently not the case. Also, entry into the WTO [World Trade Organization] has made necessary a permanent negotiating team. The third required action is to achieve stabilization.

Fewer Vehicles

As the economic crisis affects purchasing power, it will be difficult for the automotive industry to increase sales, although new products will be offered, according to Patricio Acosta, representative of the automotive sector.

Following 1995, when stocks accumulated, national production in 1996 will decline to 23,000 units, from 26,210 units in 1995. In fulfillment of the Andean accords, tariffs will be lowered, which will lower costs. However, pollution control devices will raise the cost of vehicles. Uncertainty during the first half of the year will not encourage domestic and foreign investment.

Very High Interest Rates

A harsh reality: the financial system is vulnerable to another crisis, said Hernando Chiriboga, vice president of Invesplan and representative of the banking sector. Until August 1996, the interest rate for loans will be 55 percent, and 45 percent for deposits. Banks will take precautions: they will reduce growth in the volume of credit to have greater liquidity. This strategy is warranted because firms are chronically undercapitalized. and will not be able to raise prices due to the recession. An increase in non-performing loans is expected. All in all, growth in 1996 will be less than in 1995, with lower growth than in the other sectors.

For a Ministry

The export sector had a good year in 1995: general sales rose by 12 percent and non-traditional products by 18 percent, said Mauricio Davalos, who spoke for the export sector. Competitiveness must improve in 1996, which will require restraint in public spending, and a balance between control of exchange rates, devaluation expectations, and interest rates, in order to stabilize production and to prevent costs from continuing to rise, so that domestic products can compete with imports.

The passage of the foreign trade law and a ministry have become indispensable.

Controls Continue

Two ministers from the economic area, Ivan Andrade of Finance and Vicente Maldonado of Industry, asserted that the government will continue to apply controls and maintain the stabilization program. "We will not give in to pressure from interested sectors."

Andrade said that exchange rate bands will be retained and that the consolidated accounts of the public sector would be balanced.

Maldonado stated that he is working for better positioning of Ecuadoran products in international markets to assure equitable access. He emphasized the need for passage of the foreign trade law.

Electric Power: the Key

The industrial sector fears the reappearance of power outages. "We cannot meet any of the projected goals without electric power." said Pedro Kohn, ex-president of the Federation of Chambers of Production.

He emphasized that the government must reimburse the firms for the expenses of company-generated electric power. With electric power, GDP growth is projected to be 4 or 5 percent.

Another concern is the low level of foreign investment; Kohn has an explanation: the corruption that can be seen in the country. He suggested not setting forth drastic measures—as is usual—at the beginning of the next government.

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Petroleum At $14

The outlook for the most important export product is not encouraging. Eduardo Polit, adviser to Occidental Petroleum, predicts an average price per barrel of $14, which in 1970's terms equals $2.48. This commercial consideration coincides with a geological one. The latest explorations turned up reserves of heavy petroleum. If Ecuador does not possess a dilutant, which could be light petroleum, it will soon have to import. The costs of this would be significant. Some 60 percent of drillings yield commercially exploitable deposits, but they are marginal due to their size.

Panama: A Danger

The textile sector faces tough competition from imports from many parts of the world. According to Pedro Pinto, managing director of the firm San Pedro, the already decreed increase in tariffs will not be sufficient to prevent unfair competition. Pinto warned that it would be a mistake to admit Panama into the Andean Group. "That country has a weak industry, and it is a step toward flooding our countries."

The outlook is not clear. With entry into the WTO, prohibitions on the import of used products must be eliminated; this becomes effective in June 1996. "The technical group to formulate sanitary norms has not yet been created."

Paraguay

Paraguayan President Defends Price Increases

PY0802002596 Asuncion NOTICIAS in Spanish 7 Feb 96 p 18, 19

[FBIS Translated Text] President Juan Carlos Wasmosy last night appeared on television to justify recent government decisions to increase drinking water, electricity, and gasoline prices.

The president admitted that the adjustments had a fiscal purpose. Wasmosy told a radio station in Coronel Oviedo that if the government raised taxes it would be forcing the people in Caaguazu to pay for investments made by Corposana [Water and Sanitation Corporation] and ANDE [National Electric Power Administration] "to Asuncion's benefit."

In the case of gasoline, the president said an alternative to raising prices would have been to subsidize these services, "which would have meant that we had to take money from peasants so that people in Asuncion or Coronel Oviedo could drive their cars."

The president explained during the televised message that the increase in utility rates was not a government caprice, adding that the adjustments had to be made to cover the cost of the installations and investments that Corposana, ANDE, and Petropar [Paraguayan Petroleum, Inc.] have been making for several years.

"Our population is growing at a rate of 3.2 percent per year, the highest demographic rate in South America," Wasmosy said.

Electricity

"In the case of electricity, a study produced by ANDE in 1993 revealed that the electricity rate not only did not cover production costs, but it was 110 percent below what it should be," Wasmosy said.

According to the figures released by Wasmosy last night, Paraguay currently consumes some 800,000 kw, that is, the energy produced by more than one Itaipu generator (Itaipu has 18 generators and each of them produces 750,000 kw).

"In 1995 ANDE extended its electricity coverage to 821 towns and villages, 43 percent more than during 1993," the president said.

Wasmosy pointed out that another 1,500 settlements received electricity in 1995, that is, 85 percent more than during 1993. "ANDE serves 200,000 clients in the capital and 580,000 clients in the interior, making a total of 780,000 families," Wasmosy said, adding that ANDE made 220,000 new home connections during his administration and it is now covering 67 percent of all the country's needs.

Drinking Water

With respect to Corposana, Wasmosy said, that the 15.5 percent rate adjustment was in accordance with Law 626 of 2 August 1995 that was approved by Congress to fulfill an agreement with the Inter-American Construction and Development Bank. The law says that the increase must be at least 5 percent more than the registered inflation rate, which was 10.5 percent last year. This is how the figure of 15.5 percent came about.

Wasmosy said that Corposana contracted a $72 million loan with the Inter—American Development Bank (IDB) for the drinking water program and has plans to contract another loan of $148 million for the same purpose. The president said that Corposana made 27,000 new connections and served 135,000 new clients during this period, adding that current expansion programs will raise the number of new clients with drinking water to 200,000 people.

The Price of Oil Registered Important Adjustments

President Wasmosy said that the government took into consideration the higher price of crude oil as well as

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the higher prices of refined products Petropar imports from Brazil and Argentina before adjusting the price of gasoline.

When making an evaluation of the impact of this adjustment, which came into effect on 1 February, the president said that the government also needed to increase its tax collections to be able to balance its budget spending and invest in development programs.

Substantial Crude Price Increases

The president recalled that the price of oil products, between January 1994 and January 1996, have experience substantial price increases in our purchasing markets. Oil increased by 53.71 percent in Palmar Largo, Argentina while the Saharand Blend of Algeria increased by 45.3 percent.

With respect to the finished products, Wasmosy said that during this period the price of regular gasoline increased by 39.21 percent, premium gasoline increased by 43.48 percent, and diesel oil increased by 54.21 percent.

The president reiterated what Petropar President Emilio Ramirez Russo said on the issue: The cost increases derive from price variations in the international market and from contract renegotiations with YPFSA [Government Oil Deposits, Inc], which was privatized and is one of Petropar's main suppliers. These changes forced the country to purchase oil at international market prices.

The president outlined the increase in the rate of the selective consumption tax, which varies with different products, adding that even though our country is a net importer of those products they are cheaper here than at in other Mercosur [Common Market of the South] member country.

Subsidies Was the Rejected Alternative

During his televised message last night President Wasmosy said that the government decided not to raise taxes for this purpose in order to avoid putting the burden of some services on the shoulders of people who do not have those services.

"Everybody wants drinking water, electricity, or to drive a car, but all that costs money," Wasmosy said. "We must adjust prices whenever there is a change in those products' cost components, which are not a government responsibility. We must assume that responsibility and risk the political cost and the possibility of giving an argument to opportunistic demagogues."

"What we cannot do is to subsidize those products because subsidies are paid by the entire population, including those who do not receive those services," the president added.

Wasmosy again recalled the opposition criticisms at Government House on 3 February, on the occasion of the commemoration of the 2-3 February liberation revolution.

"The data on education and health mentioned by some opposition leaders are from the 1992 population and housing census. That is, they reflect a social and economic situation for which my administration is not responsible," the president said.

Wasmosy gave other figures on his administration's achievements, mentioning, for instance, education. "We had a deficit of approximately 5,000 classrooms. My administration built 1,700 new classrooms by last December and this year we started the construction of 1,237 additional classrooms. Besides, the extension of electrical services permitted an even further reduction of this deficit because it made possible the opening of night courses," the president said.

Wasmosy also mentioned that 91 health centers that have been equipped since he took over power, adding that 60 percent of all new peasant settlements have medical assistance.

Paraguayan Trade Problems With Argentina, Brazil Viewed

PY0202211496 Asuncion NOTICIAS in Spanish 30 Jan 96 p 18

[Editorial: "The Double Alliance"]

[FBIS Translated Text] We have serious border trade problems with our two big neighbors. One has a big impact on the economy because it involves exorbitant sums, while the other affects retail business transactions. They are, in their own way, of equal importance.

Brazil has laid a virtual siege on Ciudad del Este. Although the lowering of quotas for the introduction of tax-free Paraguayan products to Brazilian territory is in compliance with agreements achieved within Mercosur [Common Market of the South], the obstacles, harassment, exaggerated controls, and other measures to discourage the entrance of Brazilians to Ciudad del Este, is quite different. The ultimate objective of this customs practice, and the opening of free zones in Brazilian regions that border with Bolivia and Colombia, is to destroy Ciudad del Este as a commercial emporium. Furthermore, these practices are apparently succeeding. Sales have notoriously plummeted and some businessmen are preparing to emigrate to other regions that are more suitable to their interests.

The problems involving the San Roque Gonzalez de Santa Cruz Bridge — which links Encarnacion in

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Paraguay with Posadas in Argentina — affect humble fruit and vegetable merchants who daily cross to Argentina because now this road has been closed for them. The long-standing excuse is that unscrupulous Argentine businessmen reintroduce exported Argentine products that are exempt from paying VAT [value-added tax] and thus are disloyally competing with those products that do pay taxes. What is totally inexplicable is what modest fruit vendors have to with all this.

As if that was not enough, the Argentine economy minister has suggested that border countries allegedly used for the above-mentioned third-party deal — Paraguay and Bolivia — should collect VAT on behalf of Argentina locally. Such a proposal goes against all reason and is an implicit violation of sovereignty.

In view of this situation with our neighbors, Paraguayan authorities — the Foreign Ministry in particular — must firmly defend our interests. The proper attitude to assume would be to uphold the prevalence of agreements, both in spirit and in content. We must argue that the integration that our country has so generously agreed to join must be consistent among all the countries of the region. Without friendship, without facilitating situations, without providing practical solutions, is it possible to speak of integration?

Mercosur should not be restricted to a treaty. It should be a forum for broaching common problems, needs and aspirations, and the means to overcome eventual problems. Moreover, there is no room for this double alliance which our two big neighbors seem to have worked out.

Paraguayan Lab: Colombian Plane Did Not Carry Drugs

PY0702140196 Asuncion NOTICIAS in Spanish 7 Feb 96 p 45

[FBIS Translated Text] The laboratory tests on samples of a "white powder" picked up by agents of the National Antidrug Secretariat (Senad) in the area of the plane crash yielded negative results. The Senad, therefore, ruled out the possibility that the plane was carrying drugs or substances controlled by Law 1340/88.

According to the report issued by Dr. Cesar Arce, of the antidrug agency's Technical Forensics Division, the samples contain traces of hydrated lime and burned materials.

The samples were picked up in the presence of DEA agent William Lewis, who is said to be interested in the greatest air tragedy in our country.

It is worth recalling that the antidrug agents started investigating after reports indicated that the cargo plane, which came from Miami (United States), had a stopover in Barranquilla (Colombia) before landing in Asuncion, and took off for Campinhas (Brazil) as final destination before crashing, allegedly carried a drug cargo.

The report also mobilized Criminal Judge Ruben Dario Frutos, but no evidence of drugs could be found in any of the containers that had been unloaded at the airport.

Peru

Peruvian Analyst Evaluates Foreign Debt Negotiations

PY0802004896 Lima EL COMERCIO in Spanish 1 Feb 96 p E8

[FBIS Translated Text] The various measures implemented by the government to get Peru back into the international financial system are not part of an overall strategy, said Oscar Ugarteche in the preliminary version of his article entitled: "The Peruvian Debt at the End of this Century."

Ugarteche prepared his article for the seminar "Policy for Facing the Foreign Debt," which was organized by the Study Center for Development and Participation (Cedep), to be held on 6 February.

Ugarteche notes that the fact that Peru normalized its relations with the creditors, respecting the importance of each one, does not mean the implementation of a definite plan.

In any case, says Ugarteche, Peru began to pay the multilateral organizations such as the IMF, the Inter-American Development Bank (IDB), and the World Bank. Peru then made payments to the Paris Club, and four years later to the international banks.

Peru still has to pay the eastern countries, the countries that are not associated to any club (Paris or London) and to the creditor of assets without insurance.

According to Ugarteche, the Peruvian Government in 1990 did not negotiate with the IMF, it only allowed the IMF direct intervention in the administration of the BCR [Central Reserve Bank] for the signing of the 1992 extended facility agreement.

Ugarteche also says that the government decided that the debt with the IDB be paid with money of the Latin American Reserve Fund (FLAR) and the Andean Development Corporation (CAF).

Ugarteche also reports that the World Bank granted a loan to Peru to pay to that organization its debt, including interests. But Ugarteche also questions this action because he says that the amount provided by the

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World Bank was granted from the funds to finance the social problems of "structural adjustment," which is a normal practice of that organization.

Therefore, he said, the government was left without that fund to alleviate the effects of the structural adjustment implemented since 1990.

Ugarteche says that the government did not have any resources at all from abroad for this purpose because even the aid of the so-called Support Group was suspended because of the 5 April 1992 coup.

Ugarteche also says that the negotiations held by the government with the Paris Club from 1992 to 1993 established a payment agreement in the so-called "Houston Extended Terms."

This agreement includes actions such as the deferral of interest payments and the reduction of the debt in the form of forgiveness or exchange of the Paris Club debt.

Ugarteche believes, however, that the agreement reached in 1993 would be lost because the Brady Plan recently agreed on has harsher payments than those agreed on with the Paris Club three years ago.

Therefore, Ugarteche believes that the government gave too much by starting to recognize the debt contracted by the Fernando Belaunde administration with the purchase of the Pachitea and Mantaro ships.

Ugarteche also objects to the government decision to include the creditor of assets as subjects for inclusion under the Brady Plan because the banks themselves consider this rather unusual.

Ugarteche believes that even considering the repurchase of the debt in accordance with the Brady Plan, the total of that obligation would be above $10 billion.

This means, according to Ugarteche, that the Brady Plan has led to the restructuring of creditors, that it does not reduce the initial balance of the debt but converts it into bonds with a U.S. Treasury guarantee. He also says that this plan forces new loans from multilateral and bilateral organizations.

Ugarteche says that through the Brady Plan the government reduces the debt with the commercial banks but increases the bilateral and multilateral debt.

Ugarteche recognizes that in the long term, the Brady Plan creates a positive effect because the value of interest at a rate of 32 percent is deducted. He recalls, however, that the government takes over a new debt of $1 billion, at the market interest rate, for the initial payment which is usually done when payment to the creditor banks is resumed.

He says that the expected debt reduction is eliminated by the new obligation and by the fact that the government will have to pay about $400 million annually to those creditors.

Ugarteche believes that it would have been better not to join the Brady Plan because now the government must disburse that amount, which will affect fiscal spending and would worsen even further the deficit of the current account (exports minus imports plus service payment).

Ugarteche believes that the normalization of relations with the creditors shows that there was a desire to favor the owners of the Peruvian debt certificates.

He also believes that the resumption of payments to the foreign creditors has been harmful because it increased the short-term capital debt, which had been reduced by the cessation of payment ordered in 1984.

Ugarteche recalls that Peru is not the only country whose short-term credits are covering a great part of their respective imbalances in current accounts.

He also believes that the cost for the private sector to have more short-term loans is too high and it also affects the entire population.

Ugarteche says that the increase of the short-term capital has contributed to the deficit in current accounts to go from $1.092 billion in 1990 to $3.4 billion in 1995.

He admits that exports have increased by about 30 percent in the last few years but that at the same time the deficit in current accounts has increased because of the payment to the creditor banks.

Ugarteche believes that the government will have problems explaining to the creditors of the Paris Club (industrialized countries) the preferential treatment given to the banks.

Within this line, according to Ugarteche, the Paris Club will also request that the capitalization of interest and the inclusion of credits from creditors, which usually do not belong to the club, also be recognized to the club.

Therefore, Ugarteche does not believe the government will be able to defer the payment of interest, as obtained in 1993, due to the precedent left by the Brady Plan.

Ugarte says that the Peruvian foreign debt payment will increase from $1.1 billion, the level it was at in the last few years, to $1.8 billion.

This, he said, is because the commercial banks and the Paris Club will demand an amortization of $400 million and an additional $300 million.

Ugarteche says it is necessary to become aware of the degree of maneuverability the government has this year

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with obligations for $1.8 billion and an expected foreign deficit of $4.1 billion.

Ugarteche believes that economic growth will decrease and the fiscal deficit will increase, which in turn will lead to a reduction of public spending.

Therefore, says Ugarteche, the resumption of the foreign debt payment will basically benefit the private debtors.

Peru: Oil Workers Strike Over Petroperu Privatization

PY0502170496 Madrid EFE in Spanish 1849 GMT 2 Feb 96

[FBIS Translated Text] Lima, 2 Feb (EFE) — The Peruvian Government may face a strike nationwide if the current indefinite strike that 2,000 oil workers are staging in the northern region to protest the privatization of the State Petroleum Agency (Petroperu), which is scheduled for March, extends.

The National Federation of Peruvian Oil and Related Industries Workers (Fenpetrol) is sponsoring the strike which started on 1 February. On that day, over 20 union leaders were arrested for blocking the access road to the Talara refinery, in Piura department, but they were released 24 hours later.

The indefinite strike, which was joined by another 2,000 workers, continues today amid strict military and police control with troops assigned to guard Talara and the refinery plant.

According to government plans, the Talara plant will be the first to be privatized. In view of this, the strikers have decided not to go back on their decision.

The strike threatens to extend if company and government representatives continue to refuse to negotiate with union leaders.

Fenpetrol Secretary General Miguel Freitas said the grassroots unions at the La Pampilla (Lima), Jungle Operations (Loreto), and the oil pipeline (which extends from the jungle region to the northern coast of the country) will join the strike on 5 February.

Freitas stated: "This is a total strike which has paralyzed Petroperu production and refinery activities in the northern region of the country."

Although the strike has not affected marketing and labor activities in the region, union leaders have stated that the strike represents a daily loss of 10 million new soles (about $4.237 million). They added that they will continue to protest Petroperu privatization plans and the dismissal of 1,500 workers.

Last week, a 24-hour stoppage summoned by Talara municipality officials to support oil workers paralyzed the region.

The fact that the strike has been declared "illegal" by Labor Minister Sandro Fuentes was no surprise for Luis Lozano, Petroperu single workers union national secretary. Lozano said: "For the administration, no workers strike is legal." He also urged the Labor Ministry not to cause any massive dismissals.

After urging workers to return to their jobs because he said the strike "is not beneficial to the country," Energy Minister Amado Yataco today said the Petroperu privatization process is "definitely irreversible." He added that "in the end people will be convinced that this is the best thing to do."

Yataco explained that Petroperu has an accumulated deficit of $3.8 billion and that the currently enforced streamlining program has only partially solved the problem that has affected the company for many years.

Yataco denied that Petroperu's privatization jeopardizes national security, adding that the state will keep control of 40 percent of the company.

He said: "Petroperu's privatization is the best alternative because more markets will be opened, prices will be competitive, and there will be no reduction on oil taxes, which will continue to be 12 percent of the gross value."

Peruvian opposition groups have proposed a referendum so the people may decide on Petroperu's privatization because they consider it to be a strategic company. Moreover, they have also requested the Army to comment on the subject.

Peru: Support for Fujimori, Andrade, Auto Ban

96P20256A (Internet) Peru DESCO Gopher in Spanish 1 Feb 96

[From Resumen Semanal 24-30 Jan]

[FBIS Translated Text] The TV program "Sunday Review" presented the results of four questions from an opinion poll conducted by the Peruvian Markets Company (CPI) [as published] on such topics as reelection and the ban on the import of used cars. With regard to approval for the president's leadership, CPI found—like Apoyo and Imagen—that it was just above 70 percent: slightly more than 12 percent of those polled consider the presidential leadership to be "very good" and 58 percent consider it "good." Nevertheless, in reply to a question on the presidential election, a majority of those polled (58.3 percent) said they were against and only 30 percent said they were for voting for President Fujimori one more time. Likewise, and contrary

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to what one might have expected, the majority of Lima respondents (51 percent versus 47.2 percent) said they approve of the ban on used cars. On another topic, Lima Mayor Alberto Andrade's first month in office met with approval. Taken together, those who said "very good" (6.5 percent) and those who said "good" (61.9 percent), amounted to 68.4 percent. If to this number we add the 10.3 percent who described Andrade's leadership as "average" we get close to 80 percent. (GESTION 30.1.96)

Venezuela

Venezuelan Article: 'Protectionism' in U.S. Import Rules

PA0702153396 Caracas REPORTE DE LA ECONOMIA in Spanish 5 Feb 96 p 9

[Article by Erika Hidalgo]

[FBIS Translated Text] The old saying that "charity begins at home" does not conform to the position adopted by the United States and its demands to exporting countries regarding reformulated gasoline.

Specifications by the U.S. Environmental Protection Agency that went into effect this past 1 January are aimed at lessening gas pollution by reducing certain components found in gasoline such as sulfur, olefin, and benzine.

These specifications affect all gasoline refiners; nevertheless, there is a difference: "While U.S. refineries have been allowed to slowly implement the new guidelines, Venezuelan exporters have had to comply with the regulation all at once."

The convenient manner in which the United States has been applying the gasoline importation rules of the game has some clear protectionism features. Moreover, this protectionism is camouflaged under the name of "environmental protection."

The debate on imported gasoline restrictions has been taking shape since President Bill Clinton took office. First, he started talking about establishing an imported gasoline tariff, afterward a tariff on petroleum consumption, and finally it was decided to limit the importation of gasoline under the premise of environmental protection.

This new political weapon stems from valid and constant commercial interests by U.S. refineries that are concerned about the unmistakable progress made by Citgo, a PDVSA [Venezuelan Petroleum, Inc.] subsidiary in the United States.

Citgo is being viewed as a risk threatening the U.S. domestic market, which is why the political sector has decided to provide unconditional support to its countrymen.

WTO Issued a Just Ruling

As for the ruling issued by the World Trade Organization (WTO) in favor of Venezuela and Brazil, regarding complaints made by both countries before this organization and about restrictions on gasoline exported from these countries to the United States, Venezuelan Ambassador in Washington Pedro Luis Echeverria has expressed his certainty that the ruling has only corroborated what Venezuela has been claiming for the past three years: That Venezuelan gasoline meets all quality requirements and that deep down the issue is simply a commercial matter.

It is important to clarify that the WTO ruling only affects part of the law and reaffirms the United States' right to protect its environment up to where it may deem convenient, but the law does not favor U.S. manufacturers over foreign refineries.

Who Dares?

Meanwhile, the idea of a possible retaliation by Venezuela and Brazil that might impose higher tariffs on U.S. exports has been considered, but, as was reported in THE NEW YORK TIMES two weeks ago in a convincing and categorical manner, "the United States has nothing to fear. No country wants to begin a confrontation with the world's leading commercial power. In addition, the discriminatory regulation expires in 1998, and it will take all that time to settle the issue if the administration of Bill Clinton chooses to appeal the ruling."

This statement seemed to be somewhat valid if we examine the statement by the PDVSA president from another viewpoint. The PDVSA president has said that despite the WTO ruling supporting Venezuela, "we must not forget that 'we should not' give this issue of reformulated gasoline more importance than what it actually has, because the spectrum of bilateral relations in the energy sector between the United States and Venezuela is very broad and has enormous possibilities to grow in the future. Seventy percent of our gasoline goes to the U.S. market. We also have four fully owned refineries over there, as well as 54 oil terminals, and two partly owned refineries. We have 8 percent of the gasoline market (...) By no means should we view this issue of the WTO ruling as some sort of insurmountable barrier (...) The commercial relation between the United States and Venezuela, particularly in the energy area, is very broad and has excellent prospects."

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The Same Old Story

This situation is not difficult to understand, nor is it unusual. The United States has a long history of restrictions on imported crude. These measures seek to protect domestic producers and, at times, to generate more revenue for the country via tariffs.

In 1932, the United States, still under the effects of the "Great Depression," imposed a tariff on imported crude. Its purpose at the time was to earn revenues from any corner.

By 1949, the U.S. independent oil sector accused foreign oil of destroying the market of $2 billion of the Texas independent company that year. For this reason, an increase of 1,000 percent in tariffs was proposed, along with a cap on oil imports that was reduced to 5 percent of domestic consumption.

Between 1959 and 1973, Eisenhower imposed a program of mandatory restrictions on purchases by oil importers. This program helped domestic production, which went hand in hand with national security. Imports were never reduced despite the long duration of the program.

In 1976, President Ford, after a foiled attempt to use new sources of energy, was only able to approve the Alaska pipeline and established efficiency ratings for auto fuels. Carter later devised a way to balance oil import taxes. Reagan retook the idea of imposing a tariff on imported crude, and we are currently on the lookout for an appeal that might result in a surprising ruling.

Venezuelan Students Hold Violent Cost-of-Living Protests

PA0802043296 Paris AFP in Spanish 1941 GMT 7 Feb 96

[FBIS Translated Text] Caracas, 7 Feb (AFP) — Witnesses have told AFP that violent student protests took place today near the Central University of Venezuela, where youths have been confronting police since midday.

The disturbances, which were repressed by bird shot and tear gas, also took place in the city of Carora, 340 km west of Caracas, where a truck was set on fire, and Los Teques, a bedroom community in the capital.

The students are protesting the high cost of living (the monthly inflation rate for January was 8 percent) and a 50-percent hike in public transportation fares in Caracas.

Disorders have intensified over the past few weeks in Venezuela, a country where Pope John Paul II is to visit from Friday to Sunday.

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